S. Hrg. 106–910

FEDERAL SUGAR PROGRAM

HEARING

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

ON

FEDERAL SUGAR PROGRAM

July 26 2000

Printed for the use of the
Committee on Agriculture, Nutrition, and Forestry

U.S. GOVERNMENT PRINTING OFFICE

70–294 CC WASHINGTON : 2001

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402

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FEDERAL SUGAR PROGRAM

WEDNESDAY, JULY 26, 2000

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC.

The Committee met, pursuant to notice, at 8:32 a.m., in room SH–216, Hart Senate Office Building, Hon. Richard G. Lugar (Chairman of the Committee,) presiding.

Present or Submitting a Statement: Senators Lugar, Fitzgerald, Craig, Santorum, Harkin, Conrad, Baucus, and Kerrey.

The CHAIRMAN. Good morning. This hearing of the Senate Agriculture Committee is called to order. I thank our witnesses and all who are participating in the hearing for coming at this early hour.

I would mention that we anticipate roll call votes midway through the hearing, and we have been advised that we must leave the room by 12:45 because the Rules Committee of the Senate has scheduled another hearing with another committee at that point.

So, with that in mind, I am going to ask if each of those who testify today, including our distinguished colleagues from the Senate and the House and those representing the Department of Agriculture and the panels that have various views on the sugar program limit their initial comments to 5-minutes.

I will just state categorically at the beginning that all prepared statements will be made a part of the record. So it will be unnecessary to ask for permission for that to occur because we want the record to be as complete as possible, and we will ask Senators as they appear for questioning to limit their question periods to 5-minutes as we go through the rotations.

I will give my opening statement following that of our distinguished colleagues from the House and the Senate so as not to delay their comings and goings this morning, but we are honored that you are here. Let me just indicate that we anticipate testimony by Senator Dorgan, Senator Breaux, Senator Abraham, Representative Mink and Representative Miller.

Three of you are here now, and, therefore, Byron, I will recognize you. It is always an honor to have the distinguished Senator from North Dakota, Byron Dorgan, before us, and I would ask you for your testimony.

STATEMENT OF HON. BYRON L. DORGAN, A U.S. SENATOR FROM NORTH DAKOTA

Senator DORGAN. Mr. Chairman, thank you very much. It is a pleasure to be here.

Let me say that while I am excited to be here to support the sugar program, a program that I think is a wonderful program, a program that has worked for some long while to help sugar producers and stabilize the price of sugar for both producers and consumers in this country, I recognize that, that program has had some difficulties recently, having to do mostly with the farm program, the underlying farm program in this country that is not working, number one, and, number two, a set of trade policies that have undermined our producers as well.

I would much sooner be here, I must say, Mr. Chairman, to appear at a hearing dealing with the Freedom to Farm legislation, as you well know. You are probably tired of getting letters from me on that subject.

The CHAIRMAN. Never, never.

Senator DORGAN. But because this is a hearing on the issue of sugar, let me focus on that.

First of all, there is a lot of discussion about the world price for sugar. The critics of this program go to the floor of the Senate and talk about the world price for sugar. The world price for sugar is a dump price. Largely, there is not free trade in sugar, as 75-percent of the world's sugar is sold under contract, at a profitable contract, and the remaining surplus is dumped on the world market at the current price of 8-cents a pound. The average world cost of production is 18-cents a pound. It is obviously, it seems to me, that the 8-cents is a dump price, and we ought not be talking about that as the world price or the market price.

Twice, we have ended a sugar policy in this country, only to see extremely volatile prices ranging from 60-cents to 3-cents a pound, and that volatility has injured both producers and consumers in this country. We know it, we have seen it, we felt it, and for that reason, we should understand the value of a program that produces price stability for both producers and consumers.

There is a Coalition for Sugar Reform, a group of good people who are interested in their companies and their profits, bakers and chocolate manufacturers and biscuit folks and grocery manufacturers, and they say, "Gee, if we could get rid of this sugar program and collapse the price of sugar, savings would be passed on to the consumers." Of course, we know that is not the case.

Sugar prices are down by a full one-third since the farm bill began to a 22-year-low. Chocolate and candy prices are up 6-percent. Cookies, cakes, and bakery products are up 7-percent. Cereal and ice cream prices are up 9-percent. I was in a grocery store two nights ago. The price of a bag of sugar, the raw product as we know it, is essentially unchanged. They have not even lowered the price of the raw product.

So I think we ought to set that argument aside. This is not about consumers. Farmers and consumers alike, in my judgment, are being fleeced.

We have got a couple of things that are working against the sugar program. The GATT playing field in international trade is tilted against our farmers. GATT left the European Union [EU] subsidies for sugar 40-percent higher than our loan price, and the EU is the world's largest producer and exporter of subsidized sugar. Their high subsidy fosters overproduction which is being dumped on a world market.

NAFTA is a failure for sugar and also for agriculture as a whole. NAFTA does not address the $2 billion in subsidy that Mexico has pumped into sugar production, changing it from a net importer to a net exporter. There has been no negotiation that would insist on abiding by the side letters. We have got stuffed molasses coming in from Canada. It is unforgivable that is happening, just unforgivable that we have this stuffed molasses coming in and nobody is doing anything about it. So we have got the failure of the underlying farm bill, Freedom to Farm, the failure of trade negotiations and trade acts that have been agreed to by Congress, and all of that has pulled the rug out from under our sugar producers.

Finally, Mr. Chairman, I represent beet producers. They are the most efficient producers in the world. Without the sugar program, they cannot survive against lopsided trade agreements which are tilted against them, and against the backdrop of a farm program that has not worked, what has happened is we have seen more acreage. That is true. But if we fix the trade problems and get a decent farm program in this country, that sugar program will work and work well as it has for many, many, many years and work for consumers and work for producers.

That is why I am here to say today I support this program. This program makes sense. If we take a look at changes in the farm program, and we should—we ought to do that starting tomorrow—we ought not look at dismantling the one part of the program that can work if everything else is fixed the way it ought to be fixed.

Mr. Chairman, thank you very much.

[The prepared statement of Senator Dorgan can be found in the appendix on page 75.]

The CHAIRMAN. Thank you very much, as always, Senator Dorgan, for your testimony and for your interest in our work.

Let me ask now Senator Abraham for his testimony.

STATEMENT OF HON. SPENCER ABRAHAM, A U.S. SENATOR FROM MICHIGAN

Senator ABRAHAM. Mr. Chairman, thank you, and I appreciate the chance to go at this time since I have another meeting as well.

I also am here today to convey to the Committee my support for the sugar program and why I believe it is a system that is necessary.

The reality of sugar in Michigan is very simple. It is responsible for 23,000 jobs in my State, and as is the case with many United States jobs created by sugar production and refinement, these jobs are located in rural areas where there is little other economic activity. That is the reality of sugar production in Michigan.

Every time the sugar program is challenged, much of the criticism is leveled at so-called large sugar barons. That may be true some places, but, Mr. Chairman, in my State, nothing could be further from the truth. In Michigan, there are approximately 2,000 family farms that grow beets, and most of these farms average between 100- and 150-acres. So, when some in Congress try to kill the sugar program, what they are doing really is threatening the livelihood of thousands of small Michigan farmers.

Michigan sugar farmers are the most efficient producers of sugar beets in the United States, and since U.S. sugar beet production is the lowest cost in the world, I proudly label Michigan sugar beet growers the most efficient sugar growers in the world.

Unfortunately, as has been the case with other agricultural commodities across the Nation, low prices are also prevalent in the sugar industry. So, while the rest of the United States economy has been roaring, U.S. agriculture has not. Prices for most crops are at or near all-time lows in real terms. This body has certainly recognized that danger, as you know, because since 1996 we have provided over $70 billion in payments to U.S. farmers.

Like other American farmers, sugar farmers are facing tough times. The price American farmers received for refined sugar has fallen to its lowest level since 1978. These low prices threaten to drive sugar producers out of business. Agriculture faces unique difficulties not experienced in manufacturing or finance, and I have been a staunch supporter of efforts to provide emergency assistance for American growers.

The Government should provide assistance to avoid commodity loan failures. The Government should also protect American sugar production from threats it cannot counter, and that really is the purpose of the sugar program.

In my view, those who are seeking elimination of the program should focus their attention first on the foreign subsidization of sugar production, much as Senator Dorgan just commented on. If every government around the world stayed out of the sugar production business, we would not need a program to keep our farmers competitive.

Just look at what we are up against, whether it is from the EU or from Brazil. We face competitors around the world who are strongly supported by government subsidies, and to put it simply, U.S. sugar producers are among the world's most efficient and they welcome a chance to compete with foreign growers, but cannot be expected, I do not think, to compete in a situation where they have to go up against foreign governments.

Without the sugar program, subsidized sugar from foreign nations would drive American sugar producers out of business. Our efficient, labor-conscious, and environmentally sensitive production would be replaced by heavily subsidized imported sugar grown often under deplorable conditions which are illegal in all 50 States. Until a level playing field can be created, perhaps through a new round of trade negotiations, I believe this Congress must work to protect our domestic market.

Finally, Mr. Chairman, let me just speak directly about this much maligned program. This year alone, the Government is spending over $13 billion in loan deficiency payments and marketing loss assistance to avoid forfeitures of wheat, corn, soybeans, cotton, and rice. Last week, we agreed to another $900 million in emergency agricultural spending. Meanwhile, the initial purchase under the sugar program totaled $54 million. This was not a payment to producers. This was just the cost of purchasing sugar which the Government now owns and may sell. Thus, the initial cost of the sugar purchase is about one-half of 1-percent of the outlays to avoid forfeitures of other crops. It is clear to me that the sugar program is a cost-effective way to help American sugar growers grow for the domestic market, and I am not alone.

Just last week, an overwhelming majority of Senators from both parties defeated another attempt to kill domestic sugar production. When so many sectors of American agriculture are suffering, I think it is incomprehensible that anyone in Congress should consider eliminating the one program which protects U.S. growers from complete eradication.

Until foreign sugar producers grow for the market and not a government, I intend to work to maintain the U.S. sugar program. I know I will not be alone, and I look forward to working side by side with my colleagues here today to protect U.S. sugar from misguided efforts which would harm this important sector of the agricultural community.

Mr. Chairman, thanks for having the chance to be here with you again.

[The prepared statement of Senator Abraham can be found in the appendix on page 102.]

The CHAIRMAN. Thank you very much, Senator Abraham, for coming early and giving this excellent testimony. We appreciate it.

Senator ABRAHAM. Thank you.

The CHAIRMAN. Representative Miller

STATEMENT OF HON. DAN MILLER, A REPRESENTATIVE IN CONGRESS FROM FLORIDA

Mr. MILLER. Thank you, Mr. Chairman. Let me first of all congratulate you for the leadership you have given over here on the Senate side. I have been the leader of the program to reform and get rid of the sugar program since 1995 on the House side back when we had the debate in 1996. It was a Miller and Schumer bill. Now he is your colleague, and so, hopefully, he will provide that type of support over here.

You have also done a good job advocating the elimination of a program recently in Fleecing of America and It is Your Money. This is an embarrassment to this Congress and this country because agriculture is the most efficient producer in the world, but we are protecting one crop. It is bad for the consumer. It is bad for jobs in this country. It is bad for trade. It is bad for the environment. Now we are finding it is really bad on the American taxpayer. We have created a cartel, not much different from OPEC, to control sugar prices in this country and, as you know, they are about three times the world price.

They talk about all the subsidized sugar. We have laws in the books to keep subsidized sugar out, and we should not allow that in. I would agree completely with that, but as I said, this is bad for the American consumer. We have recently received a report from the General Accounting Office. This is the independent agency that has analyzed the sugar program and the cost on the American consumer. They have sought the advice of the Agriculture Department, and the Agriculture Department refused to participate in this, to come up with a model on the cost of it.

So they brought in some of the outstanding academic economic modeling experts around the country to develop a model to project the cost, and they came up with a $1.9-billion cost on the American consumer. That is real dollars.

I know some people are going to attack the messenger instead of the message, but the fact is that the independent agency that has got tremendous credibility here in Congress and has brought in some of the outstanding economic modeling experts around the country. It is a $1.9-billion cost.

Let's talk about jobs. Let me give you two illustrations of how we are losing jobs in this country. Bob's Candy in Albany, Georgia, makes candy canes, obviously a large user of sugar. They can get sugar in Canada or in the Caribbean for a fraction of the price in the United States. He cannot compete with foreign candy cane companies and sell, these being driven, his production, out of this country.

The cranberry business up in Massachusetts is hurting now because they cannot compete with Canadian cranberries because sugar is needed. You need a lot of sugar to make the taste better. So we are losing jobs in the cranberry business. So, when you start managing prices, it is just bad economics. It is dumb economics.

Trade. We all recognize that we have got to open up markets for agriculture around the world, but when you protect one product, how do you negotiate with other countries? You cannot negotiate with Canada and say, "We want all your markets open, but you cannot sell any sugar to us." That just does not work that way.

That was one of the problems when we went to Seattle. When we enter more trade negotiations, and I think most of us are free traders and want to open up trade markets, the problem is you cannot product one product at the expense of all the others. Everything has got to be on the table, and you have got to go to these trade negotiations with clean hands.

I am from Florida. From an environmental standpoint, sugar has been horrible on the Everglades. We are getting ready to spend about $8 billion on cleaning up the Everglades. The Federal Government will pick up about half of that cost, and the Senate has been very active under Senator Smith in developing and hopefully approving the plan that is going to be used there, but sugar is a major contributor to the problem. With the high price of sugar, we are overproducing sugar in Florida. We are encouraging more production of sugar, and it is hurting.

Finally, the cost to the American taxpayer. We heard the argument in 1996, "Oh, it does not cost the taxpayers anything." Well, just a month or so ago, they just bought $54 million worth of sugar for the first time since 1985, and they may buy another 150- to 200-million in the next 60-days. Next year, because of the increased production of sugar, we could be talking about a half-a-billion dollars. These are actual taxpayer dollars. We are buying the sugar, and we have nothing to do with it. We cannot give it away around the world. So we are going to store it, and I do not know how long we are going to store it. Now we are going to have to have new facilities to store it.

We have got to change the program. The program does not belong in a free enterprise, competitive system. We need to let the economy work the way it was designed, and I hope with your leadership on the Senate side, we can get rid of this program in the next reauthorization the next session of Congress.

Thank you, Mr. Chairman.

[The prepared statement of Representative Miller can be found in the appendix on page 92.]

The CHAIRMAN. Thank you very much, Representative Miller, for your leadership, for coming here this morning.

We are joined by Representative Patsy Mink. It is delightful to have you, as always. Please proceed.

STATEMENT OF HON. PATSY T. MINK, A REPRESENTATIVE IN CONGRESS FROM HAWAII

Ms. MINK. Thank you very much, Mr. Chairman. I appreciate so much the opportunity to present the views particularly as it impacts on my Second Congressional District and the State of Hawaii and as it affects the entire agricultural rural economy of this Nation.

I would like to focus my remarks on two aspects: first, the severity of the crisis facing the American sugar growers; and, second, the flawed General Accounting Office report to which my colleague has referred.

The U.S. raw sugar cane prices have plunged from 22.6-cents-per-pound last July to now less than 17-cents-per-pound this month. This is the lowest level that we have seen in nearly 20-years, since 1981 when there was no sugar policy at all.

Because of flat producer prices since 1985 and rising sugar production costs, Hawaii's sugar industry has shrunk in the past 10-years from 12-sugar-companies to only three, and we are currently being threatened that the third will probably announce its closure very shortly. This is a catastrophe for my State, and I am sure that my views with respect to the loss of this industry for Hawaii would be similarly reflected in other places in the country.

The lost of 10 plantations in my district represents an economic, social, and environmental disaster. One might think that these agricultural jobs could be readily absorbed by tourism and other industries, but, sadly, this is not the case. So, when we talk about revising the Nation's sugar policy, we have to bear in mind that in places like Hawaii and perhaps elsewhere, it would be a total demise of the presence of this important industry.

Most of the jobs in the sugar industry in Hawaii are heavy equipment, industrial-type work that cannot be readily converted to tourism jobs. So many of these individuals who come from these plantations that have been closed are still unemployed and working very, very hard to try to find some other kind of employment to which they could convert.

The second catastrophe is the loss of the green. We have taken great steps to try to preserve the green atmosphere of the State. The lush sugar cane fields have contributed to that general aloha impression. When the plantations close, what happens is you have huge dust storms. There is nothing that you can use the land for productively, and the vermin and other things contribute to the problems that the adjoining communities have.

Hawaii's producers currently achieve the highest yields of sugar per acre. They are well-paid workers. They are in communities where sugar is an important commodity. So I urge you to consider the economic aspects of this industry upon a small State like Hawaii and the catastrophic impact it would have on the several thousand workers who remain in this industry.

I think it is important to look at the GAO report very critically because they are talking about losses to the consumer based upon world dump sugar prices. I have a chart here which shows what the real prices of sugar are in terms of the retail market throughout the country, throughout the world, and you will see that the United States prices on the shelf in our supermarkets at 43-cents-a-pound is way below what the current prices are inmost of the industrial developed countries in the world.

So, when they talk about 6-, 8-cents sugar, it is not the real world. There is no way in which you could base an agricultural policy on a world dump sugar price which could end in the demise of a very, very important industry in this State.

So I urge you to look at the GAO report through the efforts of many of us. Critical of the last GAO report, the Department of Agriculture was given an opportunity to put in comments as well as the members of the sugar industry themselves, and if you will read those critical comments by the Department of Agriculture and by the industry, you will see that the GAO report really does not base its findings upon reality.

I would like to ask unanimous consent that the entire statement I prepared be inserted in the record at this point. Thank you very much.

[The prepared statement of Representative Mink can be found in the appendix on page 88.]

The CHAIRMAN. It will be inserted in full, and we appreciate very much your coming this morning.

Let me just ask for a moment if my colleague, Senator Conrad, has a question or comment with regard to the testimony of our congressional witnesses.

Senator CONRAD. Perhaps when they are concluded, I would have an opportunity to make an opportunity to make an opening statement, Mr. Chairman.

The CHAIRMAN. Very well.

We thank both of you for coming this morning and adding to our testimony.

Ms. MINK. Thank you very much, Mr. Chairman.

OPENING STATEMENT OF HON. RICHARD G. LUGAR, A U.S. SENATOR FROM INDIANA, CHAIRMAN, COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

The CHAIRMAN. At this point, I will make an opening statement, and then I will recognize Senator Conrad. Then we will proceed to our first panel, the administration witness and the academic witness.

Let me just say at the outset that my views on the subject are well known, and I approach the hearing with a feeling that we need reform.

I would just say for the record that in 1978, we voted on the Sugar Stabilization Act really for the first time, and that act was passed with my position negative in each of the three major votes on that occasion. I worked with Senator Boschwitz for reform when the 1981 farm bill came up, but our efforts in the Committee lost by votes of 9 to 2 and 10 to 3. Finally, on the floor, the vote to end the sugar program failed by a vote of 61 to 33, not unlike subsequent votes really for the past 20-years.

In 1985, the same motion to abolish the program lost by 60 to 32. One voted change in a 4-year period of time, one way or the other. In 1990, Senator Bradley tried a more modest reform on the floor suggesting that the support price be reduced from 18-cents to 16-cents. That motion failed 54 to 44 for a 2-cent reduction at that point.

In 1996, when we had another farm bill situation, my motion to end the program failed 35 to 61, and then for middle gain over 90 and 85 and so forth. Of course, we had a recent vote last week that was very similar to the ratios of 60 to 30-odd votes.

So I appreciate the Congress. The Senate has spoken, and the House in a similar way, many times on the program. Yet, I come today suggesting that we will hear testimony about the status of the industry and the future role of the program, and I believe that events in this year indicate that the sugar program is becoming increasingly unmanageable and that radical reforms are really needed urgently.

This spring, as has been pointed out, USDA offered to purchase 150,000-tons-of-sugar to stabilize prices and prevent sugar loan forfeitures. The Department spent $54 million to purchase 132,000-tons-of-sugar, but the price increases in the sugar market anticipated, or at least hoped for, have not occurred.

In its mid-session review of the Federal budget, the Clinton administration estimates that the sugar program will cost over $140 million this fiscal year for purchases and loan forfeitures, proponents that a sugar program can no longer cite a no-cost basis, but this is just the beginning. The mid-session review projects that the current program will cost taxpayers over $1 billion, result in an accumulation of over 5-million-pounds-of-sugar in Government inventory between now and the year 2005.

In announcing the offer to purchase sugar in May, Secretary Glickman stated, “Something relying on continued Government purchases over the long term is neither feasible nor realistic,” and I strongly agree with the Secretary’s assessment. I hope that witnesses today will present alternatives to present policies that have failed, in my judgment, producers, sweetener users, consumers, and the taxpayers.

It is widely rumored that discussions are underway at the Department even now with segments of the industry to institute a payment-in-kind program for sugar in an attempt to reduce the supply. Such a program would be ill-conceived, in my judgment, would highlight the desperate nature of efforts to preserve the program at almost any cost.

Under our current international trade commitments, we must soon permit increasing imports of foreign sugar to enter the United States markets. Obligations under the World Trade Organization and the North American Free Trade Agreement coupled with record high domestic production projections will result in a sugar supply far in excess of demand. A long-term viable and rational solution to the matter should be implemented in the very new future.

An additional perspective relates to the fact that the Everglades are dying. Testimony came before this committee as early as 1990, from my records, indicating this unfortunate trend. The steady natural flow of water has been disrupted. Water that could be used to restore this natural environment is being flushed to the sea, and lack of adequate water storage results in discharges of polluted waters and surrounding waterways that makes water management more difficult during storms and hurricanes.

In the 1996 farm bill, our committee supported the inclusion of $200 million to purchase lands in the Everglades agricultural area to help in the process of restoring the Everglades. This was a thoroughly bipartisan effort and one which required the close cooperation of Federal and State officials.

Florida Governor Jeb Bush called the recent purchase of these lands the linchpin of Everglades restoration. We need to consider the option of making further purchases of lands from willing sellers in the Everglades agricultural area with the savings that might accrue from sugar policy reform. I believe that sugar policy reform can play an important role in the Everglades restoration.

We appreciate the witnesses who have come here today to present statements on the industry, on the program, and on behalf of consumers and taxpayers. We welcome them and look forward to their testimony.

I look forward now to the opening statement of my colleague, Senator Conrad.

[The prepared statement of Chairman Lugar can be found in the appendix on page 70.]

STATEMENT BY HON. KENT CONRAD, A U.S. SENATOR FROM NORTH DAKOTA

Senator CONRAD. Thank you, Mr. Chairman. Thank you for holding this hearing.

I would like to turn to a couple of charts to talk about this industry and the myths and the facts that relate to it. We had a debate last week. We had, I think, a vigorous debate on the question of the sugar program, and we saw the result in the U.S. Senate, more than a 2-to-1 vote in opposition to killing the sugar program. I think that vote reflected the growing understanding our colleagues have of the consequences of such a proposal.

Congressman Miller comes before us today and says that the sugar program is not consistent with free market economics. Unfortunately, the world sugar industry and the programs that other countries have are not consistent with free market economics, and the United States can make a fundamental choice. We can choose to abandon our producers. We can engage in unilateral disarmament. We can wave the white flag of surrender and see this industry vanish from our country, or we can stick up for our producers and fight for them the way other countries fight for theirs.

When the reference is made to free enterprise system, as Congressman Miller made reference, he should understand that is not the rules by which world agriculture is being conducted.

This first chart shows exactly what is happening. Our major competitors are the Europeans. They are playing world agriculture by the old rules. They are playing by the rules of mercantilist economics, and they are very good at it. I do not criticize them. They are sticking up for their producers, and it is very clear what they are doing.

On average, from 1996 to 1998, the Europeans are supporting their producers at $324 an acre. The equivalent comparison in the United States is $34 an acre. They have a 10 to 1 advantage. In effect, what we are saying to our producers is you go out there and compete against the Germans and the French, and while you are at it, take on the French government and the German government, too. That is not a fair fight, but that is precisely what is happening.

Not surprisingly, the strategy in the plan of the Europeans is working very well. They are gaining world market share. In the last 20-years, they have gone from the biggest importing region in the world to the biggest exporting region in the world, and this year, USDA tells us they will surpass the U.S. in world market share. They are doing it the old-fashioned way. They are buying these markets, make no mistake.

We will go to the next chart which shows what happens to sugar prices. Sugar prices have plummeted. We see a dramatic reduction here, 36-percent reduction in wholesale refined beet sugar prices from 1996 to the spring of this year, a dramatic price plunge.

Let's go to the next chart. The fact is this does not get mentioned much by the opponents, but the sugar industry has been paying in the Government coffers, not drawing from Government coffers. There is no subsidy here. There are no subsidy payments made to sugar producers in the United States. I see this referenced all the time by our opponents. There are not payments being made to sugar producers. In fact, until very recently, the sugar industry was paying into Government coffers from 1991 to 1999, almost $280 million paid into Government coffers. We have ended that payment because we are now in budget surplus instead of budget deficits, but the fact is the sugar industry has been paying into Government coffers.

Let's go to the next chart. The opponents say repeatedly, in fact, they chant it like a mantra, that U.S. consumers are paying more because of the sugar program. Well, let's compare what our consumers pay versus what consumers pay in other countries. It is very interesting. In the developed world, there are only two countries where consumers pay less for sugar than we do in the United States, Canada and Australia. If you look at all of the other major developed countries in the world, we are paying on average 19-percent less for sugar than the consumers in their countries.

Let's go to the next. It is very interesting to look at what is really occurring because on the left you can see what has happened to producer prices, the prices that are paid to the producers of sugar. First of all, raw cane sugar, they have seen an 18-percent reduction in their prices in the period covered by the chart which is September of 1996 until March of this year. Wholesale refined sugar in that period of time is down 26-percent. You can see the prices of the products that sugar goes into. Those prices have not gone down. Those prices have gone up, whether it is cereal up 6.6-percent or cookies up 6.7-percent or candy up nearly 8-percent or ice cream up 9-percent. While the prices that producers receive have plunged, the prices of the products that they make have gone up.

The argument that I find most frustrating to hear is that the world price of sugar is 8 or 9-cents a pound. We heard it again this morning from Congressman Miller. That is just absolutely false. That is not the world price of sugar. The vast majority of sugar in the world sells under long-term contract or is processed and used in the country in which it is produced. The average cost of producing sugar in the world today is 18-cents a pound. That is the cost of producing sugar.

So these people that run around and say that the world price is 8- or 9-cents a pound, that is just absolute fiction. What they are talking about is the dump price for sugar. That is sugar that does not sell under long-term contract. That is sugar which is not being consumed and processed in the country in which it is produced. That is the excess sugar. That is sugar that overhangs the market that sells at a dump price far below the cost of production. That is not the world price, and those that make that assertion are just flat wrong.

Let's go to the next chart, and I will conclude on this one if I can, Mr. Chairman. Some say the sugar program costs consumers money. Well, let's look at the record. If we go back from 1979 through 1982 during the period in which we had no program, the highest prices were when we had no program. The highest prices for consumers were when we had no program. That is when prices spiked.

So, Mr. Chairman, I hope very much that those who are advocates of killing the program will deal with the facts and not the myths, and when we are talking about the GAO report, USDA's rejoinder was stiff and stern. They called the GAO report naive, arbitrary, inconsistent, a puzzlement, inflammatory, and unprofessional. I do not think I have ever seen such harsh words in reference to a report, and the reason is very simple. The instant experts at GAO compared the U.S. price to that world dump price that is a fraction of the cost of producing sugar and assumes that if grocery chains and food manufacturers could have access to the dump sugar price, they would pass 100-percent of their savings along to consumers. Wrong on every count.

Mr. Chairman, I think the very strong vote in the Senate sends a signal that people understand this industry is in trouble, that we are being out-spent 10 to 1 by our European competitors, and if we do not stick up for our producers, they will be gone from these shores and we will wake up and wonder what happened.

I thank the Chairman very much for his indulgence.

The CHAIRMAN. Thank you very much, Senator Conrad.

We are now going to hear from the Honorable Gus Schumacher, Under Secretary of Farm and Foreign Agricultural Services of the U.S. Department of Agriculture, accompanied by Keith Collins, Chief Economist of USDA, and Ms. Carol Brick-Turin, CBT Consulting of Annandale, Virginia, who will provide a historic overview of the program.

Secretary Schumacher.

STATEMENT OF AUGUST SCHUMACHER, JR., UNDER SECRETARY FOR FARM AND FOREIGN AGRICULTURAL SERVICES, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, DC.; ACCOMPANIED BY KEITH COLLINS, CHIEF ECONOMIST, U.S. DEPARTMENT OF AGRICULTURE, WASHINGTON, DC.

Mr. SCHUMACHER. Mr. Chairman and members of the Committee, I am certainly pleased to be here this morning. I am going to be very brief.

I am also joined by, of course, Keith, and I have asked Parks who did a lot of work on domestic programs—we have basically a team approach to sugar because it is complicated, and I have some very fine gentlemen and a lady sitting behind me as well who occasionally may counsel me and Keith as we have some questions.

I would like to cover briefly three issues, Mr. Chairman: one, where we are on sugar policy; two, how we are implementing the program that Congress has mandated; and three, a few observations on some possible USDA sugar activity in this coming crop year.

First, with your permission, I would discuss where we are in American sugar policy at this moment. Clearly, we have a very high-quality and very value-added product that at least in the past has provided farmers with a reasonable rate of return and particularly rural communities and certainly some States with an important source of income. We heard this morning we have an over-supply situation at the moment, and adjustments are occurring. Production is moving, to some extent, from a higher-cost to lower-cost regions, and refiners at one sugar cane mill and several beet processing plants may be in jeopardy with possible closures, as I think Congressman Mink mentioned this morning. Unfortunately, these possible closures include areas of the U.S. where sugar cane production appears to be the only commodity available to support an entire rural community.

In September 1999, USDA did not believe that forfeitures would be likely for the fiscal year 2000. USDA's own projections of supply made in that month of September now appear to be low by about 300,000-tons. This was partly in response to the lower prices for other crops, the corn and wheat prices, I think, are roughly 30-percent below their 5-year average. Some farmers moved from those other crops to sugar and increased plantings of both beets and cane, and, of course, the sugar recovery from beet processing was very high.

Slippage in the tariff rate quota through the imports from unregulated sugar syrup, known as the stuffed molasses problem, also added additional unexpected sugar to the domestic supply.

There has also been a lot of technological improvements in this business. Both the processors and the farmers are actually making a number of efficiency gains—in fact, the representative from Louisiana behind me had me down to observe them—I try to visit all the sugar areas. I have been in North Dakota, Louisiana, and Hawaii. Down in Louisiana, they actually got me on a harvester, and it was a very, very modern harvester. I drove it and I was fairly successful in harvesting a few rows of cane, and I was very impressed by the technical skill involved in the movement in all of our sugar. That was an eventful day for me. I have been on wheat combines, but this is a pretty sophisticated combine in Louisiana.

Regarding cooperatives, I will just move quickly here. Virtually, all of the sugar is sold by members of farmers cooperatives. Increasingly, the processing is done, I think, something like 72-percent by cooperatives.

Let me touch briefly on the world sugar market. It is dominated by Government intervention. The EU provides $2 billion in subventions for sugar. $1.5 billion is on export restitutions, and we hope that we can move on that in the next round.

Let me just conclude with two issues, how we have tried to administer the tariff rate quota and what we are thinking about in terms of options for dealing with the current growing surplus.

First, on the administration of the tariff rate quota, in the past, the administration of the tariff rate quote prior to 1996 has been pretty ad hoc. So what we try to do is to make it much more transparent and predictable. We tried to establish the Tariff-rate quota [TRQ] prior to the start of the fiscal year based on the USDA projections of domestic sugar supply and use. Therefore, a portion of this tariff rate quota was held in reserve and made available to exporting nations at established times during the fiscal year when USDA projections of the fiscal year ending stocks to use ratio was 15.5-percent or lower. USDA views the stocks use ratio at 15.5 as a signal that the domestic market needs the reserved sugar to be adequately supplied at reasonable prices, and for the last 3-years, by and large, it has provided some stability.

We tried under the earlier decision this year to take a prudent course of action, but as the acreage increased, yields increased, and extraction rates increased. So we are now facing the prospect of forfeitures. We have a current supply-and-demand problem that makes it difficult to operate the program without costs. We, therefore, have taken action to address this.

We did purchase, as you indicated, 132,000-tons of refined sugar. We did this because we felt that would save some money. We have not gone further than that because the supply situation has taken us into additional supply.

Let me just briefly, then, finally conclude on some options we are looking at. There are a number of ways we could try and deal with this, and some of them, we have not decided to do at the moment, but we are certainly considering a number of options. The one we are most seriously considering is the one you have mentioned, and that is to reduce marketable supply in the coming year. We are seriously considering a program of paid diversion utilizing the currently available stocks we have and anticipate having. There are other options, barring donations, ethanol, restricted-use sales, but they are either expensive or they reduce the price of other commodities that already have depressed prices.

So, under Section 1009(E) of the 1985 act under the cost reduction options, we would consider this payment-in-kind or pay diversion for three reasons. We have not made the final decision, but we are seriously considering it. One, it would eliminate the $265,000 monthly storage cost for the sugar, Mr. Chairman, we have already bought. Two, it would eliminate any potential storage cost for possible forfeited sugar utilized under such a program. Three, it could possibly reduce further Commodity Credit Corporation [CCC] outlays next year as the sugar surplus is expected to be larger next year than it is this year. Thus, if non-recourse loans are mandated in 2001, this may save CCC more than the cost of direct purchases.

In summary, we will continue to support a viable domestic sugar industry with reasonable support for American sugar producers at the lowest cost to the Government possible. Clearly, we would prefer a market where neither sugar purchases or a paid diversion were used, but these options seem at this moment to be the best alternative options to provide support.

Mr. Chairman, we would like to work with this committee and, of course, Members of the Congress as you look at different options for a sustainable manner to support our sugar farmers which we think are, by and large, pretty efficient and to also ensure a stable supply to consumers.

That concludes my oral testimony. Thank you, Sir.

[The prepared statement of Mr. Schumacher can be found in the appendix on page 105.]

The CHAIRMAN. Thank you very much, Secretary Schumacher, and we appreciate your coming before the Committee. In our oversight capacity as to what you are doing and what you are planning, why, this is an appropriate and timely moment.

Ms. Brick-Turin, would you give your testimony?

STATEMENT OF CAROL BRICK-TURIN, CBT CONSULTING, ANNANDALE, VIRGINIA

Ms. BRICK-TURIN. Chairman Lugar, members of the Committee, good morning. I am honored to be here today to share with you my thoughts on the U.S. sugar program. I am Carol Brick-Turin, president of CBT Consulting, the company I formed 1-year ago this month, having worked in both the public and private sectors on agricultural issues for the past 25-years, 15 of which were spent on U.S. sugar policy.

In my remarks today, I would like to highlight the following three points in setting the stage for the policy debate. First, adversities faced by the domestic sweetener industry today are the culmination of public policy and private sector initiatives that have evolved over the past two decades.

Second, the U.S. Department of Agriculture is no longer able to carry out the intent of its congressional mandate, and as a result, the collision between free market forces and Government controls is nearing.

Third, it is, therefore, crucial to begin the debate on the future direction of the sugar program and, in so doing, the complexity of current Government policy and the industry response to such policy must be acknowledged and understood.

As shown in the attachment to my written testimony, the Federal Government has been involved in the sugar market for more than 60-years. The price support program has been the only domestic program for sugar since 1981 with the exception for a brief period of the use of marketing allotments.

However, in 1982, the Federal Government also began to use a whole host of import policies in order to meet its domestic policy objectives. Since President Reagan established a country-by-country quota that year, the Federal Government has issued and reissued dozens and dozens of related rules, regulations, Presidential proclamations, executive orders, and administrative decisions creating a complex web that constitutes the sugar import program.

Sugar policy set and administered by the Federal Government has been the single most important influence on the evolution of the sweetener industry over the past 20-years. Yet, many changes in the dynamics in the sweetener marketplace have also occurred as the result of normal industry practice to maintain a competitive edge by cutting costs and increasing efficiencies. This interplay between public policy and private sector initiatives almost always results in the use of qualifiers when discussing the U.S. sugar program.

I know that President Truman once said that all of his economists say on the one hand and on the other hand and asked for a one-handed economist. I did not mean to take him quite so literally this morning because I would like to share with you some of the program tradeoffs.

On the one hand, a U.S. sugar policy has protected sugar growers from volatile price movements in the world market with guaranteed minimum price supports and restricted import levels. On the other hand, the same policy by elevating prices has encouraged displacement of sugar by HFCS, stimulated a rate of sugar production that has outstripped consumption, reduced U.S. import needs, and advanced an extraordinary level of consolidation in the refining and beet processing industries.

On the one hand, current industry rules may be attributed to external factors such as imports of certain syrups from which non-quota sugar is extracted, threats of Mexican imports overhanging the market, and from time to time tariff rate quota mismanagement. On the other hand, the industry itself must take responsibility for creating the current oversupply situation through increased acreage and output.

On the one hand, opponents argue that lower loan rates will help the consumer. Clearly, grower prices exceed levels that would be expected in the free market scenario. On the other hand, the contention by GAO that the sugar program costs domestic sweetener users almost $2 billion in 1998 unrealistically assumes 100-percent pass through of cost reductions by refiners and industrial users to the final consumer.

In fact, my point is that when it comes to U.S. sugar policy, there is always another hand. There is simply no more ways for the USDA to help the grower processor within the framework of the current sugar title. The administration's hands are tied by the congressional mandate that sets the loan rate and requires recourse loans if imports drop below 1.5 million-tons, a WTO obligation to permit imports of at least a million-and-a-quarter tons, and a NAFTA commitment that will ultimately establish the freeflow of trade between U.S. and Mexico. It is, therefore, vital to begin the debate on the long-term direction of sugar policy.

In summary, while I take no side in this debate, I do believe that the potential free form is undermined by oversimplified criticism or applause of the U.S. sugar program; that the current sugar program is a patchwork of statutes, rules, regulations, executive orders, and administrative decisions that have been pieced together over the past two decades. When crafting a long-term policy, both program opponents and supporters must recognize its complexity in order to move forward towards a unified constructive approach that accommodates the changing dynamics of the sweetener marketplace.

This concludes my prepared remarks, Mr. Chairman. I would be pleased to answer any questions the Committee has for me. Thank you.

[The prepared statement of Ms. Brick-Turin can be found in the appendix on page 116.]

The CHAIRMAN. Thank you very much. As the Chair announced earlier, Senators will try to restrict themselves to 5-minutes of questions in interrogating our panelists.

Let me start by saying, Secretary Schumacher, Ms. Brick-Turin has described the box in which you are in, and you are describing potential options, all of which are difficult. I think both of you have indicated, as have journalists writing about this problem, that in some ways producing sugar in this country has become a more lucrative option than producing corn or wheat in some instances. There appears to have been a shift of acreage to sugar.

This is despite the fact that throughout all of this debate, it has been apparent that an oversupply of sugar in this country and throughout the world was apparent, but nevertheless market signals at least to farmers who made these planning decisions were that given the Government's sugar program, it was a more lucrative option. We have that set of circumstances.

Perhaps a change in prices of corn, wheat, and soybeans would shift that back, but, nevertheless, that will not be in the cards this year, and many would forecast, I think, including Mr. Collins, maybe not next year.

So the oversupply thing is there in a big way. Our foreign policy has suffered through many ups and downs with the Caribbean, with the Philippines and others, as we have shifted roughly from a 55/45, that is, domestic import for sugar supply to about 87/13 now, domestic as opposed to import, but as Ms. Brick-Turin has pointed out, we have obligations under WTO, under NAFTA. Clearly starting about the 1st of October, those come in, in a big way. So the supply thing dictated by price in our own situation here, that is, better price for sugar than for corn, say, or acreage return, plus the export thing means that we have a bigger problem come the fall and a much bigger problem come next year and without changes, I have suggested, an overhang of sugar that is really impossible to manage.

So it appears to me that program changes are going to be required. The problem of the hearing right now is that people come embattled as sugar growers are hanging on for dear life to whatever is there. My colleague, and I respect him, Senator Conrad, is suggesting this world price idea of 8-cents, 9- or 10-cents is totally fiction, but others would say that is sort of the clearing price. That is what happens, even given all the restrictions in the world. The fact is that sugar comes cheaper than 18-cents or what is effectively in many of our USDA programs more like 21, verging to 26 by the time you add in interest rates and carrying charges and various other things.

So consumers may not complain. Maybe they do not lose 2-billion. Maybe they lose only 1-billion-a-year depending upon the pass through, but that has been a pretty effective tax on American consumers for quite a while, and that continues on.

My prayer, I suppose, is that somewhere coming from this hearing or the stimulus of this is that there is an outline of how all of these interests are better met. I do not have one off the top of the head. I feel the present situation as being described is not only a collision, but impossible and ultimately will lead to all kinds of either evasions of the law or stretching it to the ultimate, as all the parties try to gain what they want.

My own inclination would be to say that probably the support price should be less so that there are fewer inducements to plant more, that people finally shift their emphasis to something else, or as I suggested during the tobacco debate, we have a buyout of small growers who are hurt and are hurting. That, I think, would have been a good idea. During the tobacco debate, it faltered for various other reasons, although I noted Maryland is adopting a program very similar to the one that I suggested for small tobacco growers and the might be useful for sugar growers because we keep getting into this rundown that there are some that are very small and some that are very large, more large in the cane business than perhaps in the sugar business, and there are needs for transition here. So perhaps that ought to be a part of the policy likewise.

You are thinking of a paid diversion of sorts or a payment-in-kind that accomplishes that, a sort of a limiting of the planting efforts so it does not increase an even more supply, but somewhere in the Department, are there any planners taking a look at this thing as to what would be a better option? You have spent a lot of time figuring out how to deal with the current situation, the political pressures of that, but in the back room somewhere, are there people theoretically trying to think about a better world for sugar and consumers and foreign policy?

Mr. SCHUMACHER. Frankly, Mr. Chairman, we are working to administer the program that Congress has mandated to deal with this increase in supply right now. That is why in my testimony, I outlined a number of the options we did consider and one that we are seriously considering at the moment. Clearly, we will be looking in the future, but I think right now——

The CHAIRMAN. Those are things you have to follow what we have done. So that sort of passes the ball back here, and maybe that is where it belongs. In other words, we try to find some economists and some theorists and get a better outline. I am just asking. I suppose, from the standpoint of the administration, are you trying to think ahead to a better world for all of this?

Mr. SCHUMACHER. Certainly, this hearing has focussed my mind on this a bit more, but I think right now, we are really trying to look at the different options, as I indicated, to minimize cost to CCC, look at our projections a little more carefully, and we see where the cost potential forfeitures are coming and how we might deal with those through the next 18-months or next 15-months to minimize the cost to the CCC and the taxpayers.

The CHAIRMAN. Let me just ask, then, with regard to the policy already adopted. I wrote to the Secretary suggesting he not buy the sugar, and he has bought the sugar and may buy some more, largely because I did not think it would make any difference. I think it is throwing good money after bad already. In essence, it has not really affected the forfeiture situation. It is still just as grim as it was before, after the expenditure of tens of millions of dollars, and I presume if you buy some more, it will have much the same effect, largely because the inducements to plan more are still there, even while we are busy trying to get rid of the surplus. The signal is given by the sugar program that people ought to do more of this, and they probably will, and all around the world, they are doing so. So there is just no end to the difficulty of heading down this trail, whatever the pressures.

I read in The Wall Street Journal that 11 Senators went down to see the Secretary. The USDA people were amazed at such a delegation, all waiting upon the Secretary to buy more, to try to bail out. So there are some problems, but why not have forfeitures at this point? Why not have a signal that enough is enough, that finally you have stopped this and that it is not a good idea to plant more beet sugar or cane sugar or any other kind of sugar right now? As a matter of fact, you ought to try something else, and that is why I come to the idea is it necessary perhaps for somebody to help some people out of this market, to offer some transition payments or is sugar so lucrative that there really is no option for these farmers.

Mr. SCHUMACHER. Sugar, as I indicated in my testimony, Mr. Chairman, compared to corn and alternative crops in the areas where sugar is grown—and I visited the different areas—sugar is certainly more profitable to farmers when they run their pencils pretty carefully, whether it is to the South, certainly Louisiana, as they expand along the coast a little bit and use some of these new modern technologies and certainly in the beet growing areas in the Northern Plains and in the West.

The CHAIRMAN. I just simply repeat, it is lucrative because of the program we offer. If we did not have a program, people would have different sorts of pencils and come to different conclusions.

Senator Conrad?

Senator CONRAD. Thank you, Mr. Chairman.

Maybe I could go to Secretary Schumacher and ask the question. We hear repeatedly that the world price of sugar is 8- or 9-cents a pound. Do you believe that, that affects the world price of sugar?

Mr. SCHUMACHER. We have looked at this pretty carefully, and that is why I put in my testimony, Senator Conrad, the EU. I think Congressman Mink and yourself put up the charts on the retail price of sugar. Of course, what we focus on is how it affects trade and the next round of WTO and the amount of money the EU is putting into its sugar export restitutions which we have called for in Seattle to be eliminated.

I think the sugar program in the EU is a classic case where if they did not have those huge export restitutions, we might have a little different world sugar price because they have been the main influence, in my opinion.

In my previous career, I did a lot of work internationally on sugar, whether it was Jamaica or other countries, in the cane business, and the way that EU has taken market share from the Caribbean and from other islands is really quite extraordinary. We are going to work very hard in the next round to eliminate the export subsidies in the classic cases, such as in the EU.

So the direct answer to my quick——

Senator CONRAD. What are——

Mr. SCHUMACHER. Go ahead.

Senator CONRAD. No, go ahead.

Mr. SCHUMACHER. The direct answer to your question is, clearly, if you looked at the cost of production in a number of countries, it is closer to 17-, 18-, 19-cents-per-pound, if you average it out over a number of countries.

Senator CONRAD. Cost of production, 17-, 18-, 19-cents?

Maybe we could put up that chart that shows cost of production.

You know, it is just amazing to me that this fiction gets restated over and over and over that the world price of sugar is 8-cents-a-pound. It is not 8-cents-a-pound. It is just nonsense.

The cost of producing sugar, the average world production cost, just as you stated—you said 17-, 18-, 19-cents.

Mr. SCHUMACHER. In that range, yes.

Senator CONRAD. This is the world survey of sugar, 1997 report, just over 18-cents a pound. So, obviously, sugar is not selling for 8-cents a pound in the world. Sugar is not selling for 10-cents below its cost of production or half of its cost of production, less than half its cost of production, or the entire sugar industry worldwide would be bust. Sugar is selling for something above its cost of production, and these people that continually refer to the 8-cents are referring to a dump price because the vast majority of sugar in the world sells under long-term contract. It does not count in this calculation that others are making, the opponents of the sugar industry are making, and that is the hard reality here.

The fact is this is the relationship, average cost of production in the world, and the world dump price, which is not the world price of sugar at all. I think that is a key point that needs to be repeated.

Let's go to what the Europeans are doing because it is very instructive. It is not just in sugar. It is in every agricultural commodity that they support, and you made the point very well. $2 billion a year, that is what our chief competitors are doing in terms of support for that industry. Overall, they are spending close to $50 billion a year to support their products. That is what the Europeans are doing, $50 billion a year, and they are doing it because they want to gather world market share.

In my discussions with the Europeans, they have said to me repeatedly, "Senator, we see ourselves in a trade war with the United States on agriculture. We believe at some point there will be a cease-fire in this trade war, and we want to occupy the high ground. The high ground is world market share."

You would think we would figure this out at some point. These guys have a strategy. They have got a plan, and their plan and strategy is to dominate world agricultural trade, and they are doing it the old-fashioned way. They are buying these markets.

These are the numbers from the Organization for Economic Cooperation and Development [OECD]. These are not Kent Conrad numbers. European Union supporting their producers at $324 an acre. We are supporting ours at $34 an acre. That is a very simple question that is before us. Do we give in and let them take these markets that have long been ours, or do we fight back? That is the question before us.

If we want to engage in unilateral disarmament, we will find that they are successful, they are victorious, and we are out of business. Let me ask you what your observation is.

The CHAIRMAN. I am reluctant to call time, but give your observation if you will, and then we will need to proceed to Senator Santorum.

Mr. SCHUMACHER. One of the things I was most pleased about in the last month or so is the presentation that this administration made before Geneva calling on a very radically different approach so that we can address this issue by simplifying and getting away from what I call the crayon or the color or the Crayola approach to amber and green and blue and all these different colors for exempt and non-exempt support programs, and that sugar would go into the non-exempt category. Then we will see how we get along with our European friends.

The CHAIRMAN. Thank you.

Senator Santorum?

Senator SANTORUM. Thank you, Mr. Chairman. I will defer to my colleague who has to leave, if he has a comment or question, and I will take it after Senator Kerrey, if that is all right with the Chairman.

The CHAIRMAN. We are pleased to have Senator Burns here.

STATEMENT OF HON. CONRAD BURNS, A U.S. SENATOR FROM MONTANA

Senator BURNS. I will be very brief, Mr. Chairman, and I thank you for your kindness.

When I look at the policies of WTO and the NAFTA and the enforcement of these agreements, I am not so sure we are adequately supporting our domestic programs, although I am very supportive. Currently, we have got this problem of stuffing molasses to circumvent trade agreements.

I have got 20-years refereeing football. Right now, the only reason that game is a success, because it is a violent game, where you can keep law and order among 22 of the most heavily armored folks in the world, cranky with each other, mobile and hostile, is that a rule book. We must have a rule book. Right now, I have a feeling that when it comes to our trade policies the referees that are supposed to be watching are not doing a very good job.

I am just astonished. Right now, I am asking them to make the call where there are violations of the WTO or the violations of NAFTA. Make the call and then walk off the field because that is the way we must do it in our way of life. I would like to see that happen with the sugar situation. I do not think we would find ourself in a situation that is as dire as it is today. I am not saying we would not be in a negative situation, but we wouldn't be in a situation that is as dire as it is.

I would just suggest to my good friends down at the Ag Department and my good friends at the Federal Trade Commission and the International Trade Commission [ITR] to make the call, and for this administration through the ITR to make the case. That is my message this morning. The only way we can get out of this thing is to provide a little bit of protection for our producers. I think the consumer wants a consistent supply at a consistent price. This program has supplied that for them.

I thank you, Mr. Chairman, for this time.

The CHAIRMAN. Thank you for your participation, Senator Burns.

Let me just mention our colleague, Senator Breaux, has arrived. I am going to ask if it is all right with you, John, for us to complete our questioning of this panel. Then we will hear from you, and then we will hear from the next panel.

Senator Kerrey.

Senator KERREY. Thank you, Mr. Chairman.

STATEMENT OF HON. J. ROBERT KERREY, A U.S. SENATOR FROM NEBRASKA

Ms. Brick-Turin, I hope you did not break your arm examining the sugar program. I find your testimony to be very balanced, though I would like to press you a bit on making some recommendations to me.

I tend to favor the free market and trying to decide what works and what does not work. I like the marketplace, and indeed, in domestic sugar, we have got pretty much a marketplace operating, but I quite agree with you, there is a collision going on here between the international market and our patchwork of Government policies. The question that I have got in my mind is what kind of policy should we put in place to replace the current program. What do we do?

I am not convinced that throwing the program out is a good idea or that a buyout is a good idea. In my homestate, I see the benefits. I have got 555-farm-families, and that is the ultimate objective for me. I have got 555 families that are on the land, and I would like for them to feel even better about farming than they currently do.

I would say to you, Mr. Chairman, they are not going to grow corn and wheat right now. They are not making money in any of those. Their choice really right now is do I stay in farming or do I go and do something else. Those 555 families produce about 1,000-metric-tons. We have two refiners that have about 14 or $15 million in payroll, another 600 good family jobs in our community. So that is what I see as the ultimate. I do not see it just that we are producing sugar for processors to use for cereal and candy, etc.. I know that is all important, but I see these families as the ultimate objective in addition to economic objectives.

So I want our policies to provide opportunities for farm families to stay on the land throughout the United States of America, and that is what we have done over 150-years of intervening in the marketplace with land-grant college assistance and the transcontinental railroad—etc., etc.. We have tried to create more market opportunities by good Government intervention.

I wonder if you have thought about somebody like myself that likes the marketplace, but as well wants whatever Federal rules we have to create opportunities for families and jobs here in the United States of America for people who choose to make a living of working on the farm. I wonder if you have given some thought of what you think would work as a good balance between what the market could do, but what the market will not do, especially given the presence of other government efforts, not just the European Union, but throughout the Caribbean Basin as well.

Ms. BRICK-TURIN. Yes, I have, Senator. I do not mind being pushed, by the way. I still have one good arm.

I understand that the marketplace does work. In fact, the sugar market is unique because while on a day-to-day basis buyers and sellers work within a free marketplace, the overall parameters of supply and, therefore, price are still set by the Federal Government.

I by no means meant to suggest that we throw out the program. What I would suggest is that we end the Band–Aid approach to policy.

Certainly, over the past 10-years, I think that the administration of sugar policy has reflected this Band-Aid approach. Policy makers would stick a finger in one hole and there would be leakage elsewhere. I think that the overall program, both the domestic program and import policy, needs to be thoroughly reexamined and, if necessary, rebuilt.

I think that clearly, Congress and the administration need to weigh the importance of maintaining a domestic industry. I do not think that anybody would argue with the fact that it is important to do so. But I think that the program needs to be examined in the overall context of Ag policy, budgetary policy, and international trade policy, to create an overall policy approach that gets away from the piecemeal types of decisions that we have had in the past.

I know that there will be other witnesses testifying as to specific approaches or specific policies. I want to underline is the general approach, the general strategy that I think both program opponents and supporters need to take.

Senator KERREY. Thank you.

The CHAIRMAN. Thank you, Senator Kerrey.

Senator Santorum.

Senator SANTORUM. Thank you.

STATEMENT OF HON. RICK SANTORUM, A U.S. SENATOR FROM PENNSYLVANIA

In comment to Senator Kerrey's comments, I, too, am concerned about farm families. I also am concerned about the families of folks who work in industries that consume sugars, that use sugar. We have lost a lot of jobs in Pennsylvania in the confection industry to Canada and Mexico where products are being produced there instead of employing people in Pennsylvania, and other places around the country, because of the high cost of sugar.

Now I understand, in fact, most of the members of the Pennsylvania delegations and I, sent a letter to you regarding a proposal to require import licenses for sugar-containing products. We expressed our concern about that, about what that would mean. Can you give me an update? We did not get a decision on that. I guess it has not been forthcoming, but if you can give me an update on what your thinking is on that?

Mr. SCHUMACHER. What I would like to do is respond to you in writing on that one so we have it clear and on the record, Senator, because we have some changes in the rules in Canada that would affect that. Of course, Senator Burns has counseled us on the stuffed molasses issue as well. We are trying to put this altogether, and we will get back to you in a more formal and timely way—I want to get that out very shortly.

Senator SANTORUM. Some discussion has been made. I appreciate that, number one. A second issue, discussion is here about NAFTA and the fact that sugar imports are expected to increase as a result of that. Can you tell me how you are approaching the situation with respect to the interpretation of this side agreement of NAFTA and what you plan to do about it this fall?

Mr. SCHUMACHER. I think one of the things that—we have now a new ambassador-designate, Greg Frazier, who is actually in Mexico right now and I think is going to be coming back the next few days and discuss these issues, and he has indicated to the Committee that he will be coming up here and giving the members and the staff a detailed briefing in executive session on the results of his discussions in Mexico that are currently ongoing as we speak.

Senator SANTORUM. But you cannot give us any update as to what is going on?

Mr. SCHUMACHER. I am going to wait for Greg to get back and tell me, and then maybe he can quickly come up to discuss this with——

Senator SANTORUM. Or send us another letter or something like that.

Mr. SCHUMACHER. No, no. He is going to come up and discuss this personally with you.

Senator SANTORUM. I would like to ask Ms. Brick-Turin—to sort of follow up on Senator Kerrey's question. I think Senator Kerrey, at least I thought, was trying to get some sort of specific recommendations, and I think you said we need to look at it. Can you give us some more specific things that you would suggest changing that could be made or should be made? Obviously, I make no secret. I am not a fan of the sugar program. I make no secret it costs us jobs in Pennsylvania and costs consumers in this country money. You may question the amount of subsidy that goes to producers as a result of this program, but I think the Chairman pointed out very correctly, this is one of the few remaining programs on the books that provides support out there, a price that guaranteed some level of profit. When you have the uncertainty that is in the agricultural economy today, when you have a program like this, it encourages people to get into that commodity which results in the oversupply situation.

So I think the Chairman is absolutely right on. You may be for or against this program, but if we continue with this program in its current state, matters are only going to get worse for everybody concerned and cost the taxpayer as well as the consumer a lot more money. I think that is something that needs to be addressed.

I am not sitting here saying I know the answer, although I voted for the answer that I think was as good, which is to eliminate the program, but short of that, which only got—I see Senator Breaux out there chuckling. His 66 votes in the Senate last week showed that, that was not going to happen at any time soon. So what sort of recommendations would you make that could alleviate the problem?

Ms. BRICK-TURIN. Thank you, Senator, for the question.

I think that policy needs to be looked at in both the short term and long term. Certainly, in the short term, I would support another CCC purchase or Payment-in-kind [PIK] program. I think that the Department should be given a chance to see if its initial approach for this year's oversupply situation will work. But I do think, tying it to the longer term, that any short-term emergency program needs to be based upon a commitment for structural reform.

The oversupply situation, as the Secretary discussed, needs to be addressed because the problem is not going away.

Any reduction in the loan rate, for example, will allow free market forces to have a greater impact on the market. Certainly, producers with higher production costs will continue to go out of business. Facilities will continue to close; that is the natural course of free market forces taking over.

I do not support the dismantlement of the overall program, but I cannot stress enough the approach that I would take—to take apart the overall program, both domestic and import policies, and then rebuild the program. It needs some type of basic structural reform.

I am not prepared to give a specific answer. I know that other witnesses will. But I do think that it is vital to look at the long term as we address the short term.

The CHAIRMAN. Thank you very much, Senator Santorum.

Mr. SCHUMACHER. Senator, may I just respond? I do not want to take time, but my staff has updated me quickly. I will still get the letter back, but could I respond to Senator Santorum's question on Canada?

The CHAIRMAN. Of course, yes.

Mr. SCHUMACHER. On June 20th, Senator, what happened, as I said, the Canadian government amended its export permit system to rescind the requirement that exporters of sugar-containing products increase the proportion of the export in retail form. So, of course, the U.S., on these products, has been seeking, as your letter indicates, some new licensing requirements to require Canada to continue to export bulk for products to be packaged in the United States.

So we are working on a rule that will impose such a licensing requirement, but now that rule is we have to reevaluate it, given this new June 20th—I will get that letter to you, but I want to just on the record respond to your question.

Senator SANTORUM. Thank you, Sir.

The CHAIRMAN. Let me just comment in thanking this panel. I think Senator Kerrey's observation that there are 555 farm families in Nebraska who are apparently now involved in production of sugar because it is a better option, given lower prices of corn, wheat, or what have you, is a factor that leads to some sympathy for not only the sugar program, but other programs.

When the Senators were asked to vote last week on the sugar program, they confront the fact that in our Ag policy this year, in commitments this committee has made and have been ratified by the Senate, 91 to 4, we are really trying to save every family farmer in the country, to put a safety net on every single one. So you could very well raise the question why not the 555 who are in sugar cane. I think we all understand that because we are in a transition in agriculture that is very significant.

At the same time, even while we are attempting to help these 555 farmers, the facts are that the sugar supply of the world is increasing and we have monumental problems simply dealing with this, and you have tried to touch on these briefly, Secretary Schumacher, but obviously to dump the sugar in various ways around the country, around the world is not very acceptable. So not to dump it is to have it pile up.

The question then you have to face is whether you use some of this sugar to buy people out of the idea of producing some more of it, and that is sort of where you are headed, I gather, even as we think about this, this morning.

As Ms. Brick-Turin has pointed out, this is another sort of patchwork, finger in the dike, before the whole thing flows over. I am hopeful that the Department and likewise in the private sector that there are innovative people trying to think through this because we will have to return to this next year. It will not go away. Perhaps absent an election and absent pressures of the current situation, we can do better, but we appreciate your coming before us now and sort of updating what you feel you must do, and we would like to stay closely in touch.

Mr. SCHUMACHER. We will do that. Thank you very much for having us here.

The CHAIRMAN. I thank the panel.

I would ask now for Senator Breaux to come forward to give his testimony.

Senator KERREY. Mr. Chairman, if I could while he is coming forward, just to clarify since you have referenced my remarks. Nebraska beet producers are actually producing fewer metric tons a day than they did 10-years ago. So we are not seeing people respond to the sugar program, producing more sugar, the options that are there. In fact, the strongest signal from the Government right now is to produce soybeans for the LDP. If you want to take the full look at this thing, that is the signal they are getting at.

What I am suggesting is that the program has a purpose beyond the economic purpose, and we have achieved that purpose.

The CHAIRMAN. Thank you very much.

Senator Breaux, would you please summarize in 5-minutes. Your something will be made completely a part of the record, as was the case with each of your other colleagues who have testified before.

STATEMENT OF HON. JOHN B. BREAUX, A U.S. SENATOR FROM THE STATE OF LOUISIANA

Senator BREAUX. Thank you very much, Mr. Chairman and Senator Santorum and Senator Kerrey. We must be doing better. We are now in the big room. I am delighted to be here.

The CHAIRMAN. There is more interest in your testimony.

Senator BREAUX. Yes.

Senator KERREY. As opposed to the big house.

Senator BREAUX. The big house.

Senator KERREY. Yes.

Senator BREAUX. Well, thank you very much. I am always delighted to discuss the sugar program.

If the Committee is looking to determine whether we need a program, I think the answer is pretty straightforward. The answer is yes. We need a sugar program like we need a program for cotton or rice or wheat or any of the other agricultural commodities. It should be fair. It should be reasonable, and it should be workable. So I do not think we are here today to determine whether we need a sugar program unless you want to single out one commodity and say every other agricultural commodity has a program except one. I think we need one, and it also should be fair.

I think the question is not really whether sugar contributes to the economy. It contributes many billions of dollars to the economy in terms of small workers and family farmers and refiners and people who work in our industry, like they work in all of the other industries around the country. The answer is yes, it does contribute to the economy in a major, major way.

If the question before the Committee is to understand better how it operates, I think that is a very legitimate question because a lot of the discussions on the floor of the Senate, I think, quite frankly, have not been totally accurate in how the program operates.

We heard debate on the floor this past week about all of these subsidies to sugar growers. Well, there is no direct subsidy to sugar growers. As I think this committee understands, there is a loan program, a commodity loan program for sugar farmers which is the same type of program that is also authorized for cotton, for rice, for wheat, and feed grains. There are no Agricultural Marketing Transition Act, AMTA, payments for sugar.

We have had an 18-cent loan program since 1985. It has not been increasing every year. It has not gotten a cost-of-living adjustment. It has not been increased since 1985. It has been 18-cents since 1985.

If the farmer puts the crop on the loan and he cannot pay off the loan, he forfeits the crop. That is the essence of a commodity loan program, but in addition, back in 1996, we made some major changes and imposed upon the sugar program something that is not in any of the other commodity programs. If the sugar farmer forfeits his crop because he cannot pay for the loan, unlike any other commodity, he has a 1-cent reduction if his crop is in fact forfeited to the loan program. No other commodity has that. He is penalized if he has to in fact put his crop under loan and forfeit it under the loan program.

We also provide for 40 nations to import sugar into this country, they do.

If we are here today to determine whether elimination of the program will benefit consumers, I think the answer is very simple. No, it is not.

The chart I have on the right contains USDA figures, Mr. Chairman. I used it on the Senate floor this past week. It shows what has happened since 1996 to the price of sugar. The figure on the left is the price to the sugar cane farmers. The one on the right is the price to the sugar beet farmers. It has dropped 14.6-percent and 31.9, almost 32-percent. So you would say if the price of sugar is dropping, all of these industries that use sugar must be reducing their prices as well. Of course, it is not true. The retail refined sugar price on the shelf has increased by a half-a-percent. Candy is one of the biggest users in the country. You would think if the sugar price was falling like this, candy prices would fall. Instead, they have gone up 6.4-percent, cookies and cake, 6.6-percent, cereal, ice cream, all respectable, but very certain increases in the price that they charge for their product while one of their main ingredients has crashed 32-percent and 14.6-percent in the last years since 1996, over the last 4-years. These are not the industry's figures or my figures. These are USDA figures.

So I think that if you say all right, let's get rid of the sugar program and all the consumers will be better, I think history tells us that is not the case.

I think, Mr. Chairman, in all areas, it is a program that has worked, that has been stable. There has been a lot of misinformation about it, but I am certainly not for not looking a ways to improve this program or any agricultural program. Hopefully, when the time comes, we will be looking at ways to improve it, bearing in mind that what we have has worked very well, especially since we modified it 4-years ago.

Thank you very much, Mr. Chairman.

[The prepared statement of Senator Breaux can be found in the appendix on page 79.]

The CHAIRMAN. Thank you, Senator Breaux.

Senator Kerrey, do you have a question or a comment?

Senator KERREY. Yes.

Senator Breaux, you were here along with Senator Lugar and I when NAFTA was being debated, and one of the things that was a concern with NAFTA was whether or not Mexico would seek to avoid doing what we had to do here in the United States of America in the sugar industry, which is we had to restructure in our industry as a consequence of consumers picking a different product in soft drinks, almost 100-percent of displacement that occurred as a consequence of a preference for high-fructose corn sweeteners that displaced the sugar market. We lost a lot both on the refining side and on the acreage side. We had significant restructuring.

The fear was that Mexico would want to avoid having to do that, and so I wonder if you could talk a bit about the production, this side letter that was supposed to assure us that this was not going to occur; that Mexican negotiators were saying this kind of displacement will not happen in Mexico, our tastes are different. Well, their tastes are not different. What has happened is that these sweeteners have done the same thing in Mexico as has happened here. They have displaced 100-percent of the market, and Mexico does not want to restructure.

Now they are saying this side agreement, this letter that they had, was not binding. I wonder if you could talk about how that influenced your vote in 1993 and your attitude towards NAFTA as a consequence.

Senator BREAUX. A couple of points, Senator Kerrey. You have really outlined the situation quite accurately.

I think Mexico has as much a political problem as they have anything else. They have greatly increased their reliance on fructose corn syrup, corn sweeteners, which has replaced sugar in a lot of their commodities, like we have done here in the soft drink industry. So now they have a lot of sugar that has been not used because it has been replaced by the corn sweeteners. So they are trying to say, "All right. What do we do with all of this sugar?" It is a political problem as much as an economic and agricultural problem.

Back when we were considering NAFTA, one of the concerns among many, many people in the sugar beet and cane producing areas was that NAFTA was going to unleash a flood of dumped sugar into this country, and we could not handle that type of dumping. So a side letter was negotiated which I participated in and felt that it did provide the relief that was important and that was a guarantee that Mexico would not be allowed to arbitrarily just dump whatever they did not need into this market. That letter is typical of many, many side letters and a lot of international trade agreements. They are binding. They have to be lived up to by both countries, and they cannot be denied.

I think that our administration is trying to make sure that the Mexican government lives up to the signed letters and agreements that they entered into. NAFTA would not have passed had it not been for that. It is just that simple. Mexico has benefitted tremendously by NAFTA, and for them to now say that we got the benefits of NAFTA, but we are going to deny something that led to the adoption of NAFTA, I think, is totally incorrect and not the right policy.

Senator KERREY. I appreciate that. I would also say that I think as people scratch their head and try to figure out why trade agreements have become unpopular, why we have been unable to muster a majority to give this President trade-negotiating authority, why PNTRs are controversial, why these kinds of trade agreements are controversial, I cite the failure to live up to this side agreement as an example. People do not trust these trade agreements as a consequence.

I will continue to press for trade negotiating and authority, etc., but I think it is really one of the reasons that in the countryside people say these trade agreements are not what you promised them to be.

Senator BREAUX. Yes. Clearly, NAFTA would not have passed in the absence of that agreement.

The CHAIRMAN. Thank you very much, Senator Breaux, for coming this morning.

The Chair would like to recognize now a panel to be composed of: the Honorable Ira Shapiro, Coalition for Sugar Reform; Mr. Arthur S. Jaeger, Assistant Director of the Consumer Federation of America; Mr. John Frydenlund, the Director of the Center for International Food and Agriculture Policy, Citizens Against Government Waste; Mr. Nicholas Kominus, President of the U.S. Cane Sugar Refiners' Association; Mr. Tom Hammer, President of the Sweetener Users Association; Mr. Mark Perry, Executive Director of the Florida Oceanographic Society; and Ms. Shannon Estenoz, World Wildlife Fund and the Everglades Coalition.

We are grateful to each of you for coming today to enhance our hearing. As perhaps you have heard earlier on, we have asked each of our witnesses to summarize initial comments in 5-minutes. All of your statements will be made a part of the record in full so that this hearing will be as valuable to others who read the record as those of us who have the opportunity to hear you personally, and I will recognize you in the order that I called your names to begin with.

First of all, Mr. Shapiro, would you please give your testimony.

STATEMENT OF IRA SHAPIRO, COALITION FOR SUGAR REFORM, WASHINGTON, DC.

Mr. SHAPIRO. Thank you, Mr. Chairman.

I appear today on behalf of the Coalition for Sugar Reform, which is an umbrella organization representing U.S. trade associations, consumer and environmental groups, and taxpayer advocates who are united in the view that the sugar program needs fundamental reform.

The panel includes an array of witnesses here that can give you valuable insight into the various issues, but as a former U.S. Trade Official, I would like to focus my testimony today briefly on the international trade aspects of the sugar program.

I believe that maintaining the sugar program in anything like its present form will undercut our ability to open foreign markets for a whole range of U.S. products and services, particularly agricultural commodities and value-added products. In that regard, Mr. Chairman, I believe the sugar program is the Achilles' heel of U.S. trade policy.

Why do I say that? Looking at the record in international trade and the central challenges facing us brings me to that conclusion.

I think history will mark the years since 1993 as an extraordinary period of trade expansion and market opening, beginning with NAFTA and the Uruguay Round, continuing right up to this year with the PNTR vote in China and bilateral agreement on Vietnam. By any measure, world markets are more open than they were a decade ago, thanks to U.S. leadership, and that opening of markets has undeniably extended to agricultural products and food products as well.

The Uruguay Round began the process of bringing agriculture trade under rules, opening markets and reducing the distortions imperfectly, of course. NAFTA also did this, and we have had numerous bilateral agreements that Ambassador Barshefsky and Secretary Glickman have championed, with the strong support and the prodding of this Congress, and particularly this committee and your House counterpart.

Yet, despite those achievements, all over the world, agriculture remains the most sensitive sector: politically, economically, and culturally. Barriers have come down, but agriculture trade remains substantially restricted and distorted. Tariffs average 50-percent worldwide for agricultural products. TRQs give some access, but they continue to maintain restrictive conditions.

We have the EU, as Senator Conrad has pointed out, using something like 85-percent to 90-percent of the world's export subsidies, and State trading enterprises still play too large a role.

For all of these reasons, before Seattle and since, every U.S. official has made it crystal-clear that liberalizing agriculture trade further is the number-one priority of the U.S. in trade. We have set forth our ambitious objectives recently in the comprehensive proposal—and in my view, there is no doubt of the commitment of this administration or the next administration, Democratic or Republican, in that regard, as well as this Congress.

But the real question, Mr. Chairman and Senator Kerrey, is how do we accomplish that objective? Where do we find the leverage, where do we find the allies to bring about more open world agricultural trade, and against that background, I would submit that the sugar program is a principal impediment to our efforts.

First, it makes our calls for a fair and market-oriented system sound hollow and hypocritical. If we saw this program in any other country, we would label it as a major distortion of trade. We cannot really expect other countries to end protection or Government management of sensitive commodities if we are not prepared to do so.

Second, we need to build allies with the Cairns Group and with the developing world if we are going to bring about the kind of world that the Administration's bold proposal talks about, and yet, sugar drives a wedge between us and many of our likely allies. In this sector, it puts us essentially in the camp of the European Union and Japan as the major distorters of world trade.

Third, there are very few issues, if any—and I cannot think of any—that matter more to more nations than sugar trade. It is at the top of the agenda for the largest developing nations India and Brazil, and for developing economies like Chile, Thailand, and the Philippines. But it is also the high priority for the most struggling economies in the world: Central America, the Caribbean, and Africa.

We know many of these countries think they got too little out of the Uruguay Round. In terms of access to the markets of the developed world. I think the inequities in the sugar program compel the conclusion that on this issue, the grievances of the developing countries are well justified, and not just deeply felt.

I will conclude, Mr. Chairman, by saying that every Nation has its sensitive commodities, and certainly sugar is one of ours. But when our sensitive commodity is vitally important to the economic well-being of so many other countries, it becomes a major source of imbalance in the global economy. I think we have to think carefully about it in terms of the next round and regional trade agreements recognize its possibility for helping us to open markets for virtually everything else we want to export.

Thank you.

[The prepared statement of Mr. Shapiro can be found in the appendix on page 120.]

The CHAIRMAN. Thank you very much, Ambassador Shapiro. We appreciate your testimony.

Mr. Jaeger.

STATEMENT OF ARTHUR S. JAEGER, ASSISTANT DIRECTOR, CONSUMER FEDERATION OF AMERICA, WASHINGTON, DC.

Mr. JAEGER. Thank you, Mr. Chairman. I am pleased to be here today on behalf of the Consumer Federation of America.

CFA has long opposed the Federal sugar program as costly to consumers, and we appreciate your leadership over the years on this issue.

As we have heard repeatedly this morning, the sugar program does rely on a system of price supports and import restrictions to keep prices paid to U.S. sugar producers well above the world market.

Unfortunately, much or all of this increased cost for raw sugar is passed on to consumers by those who buy sugar from the producers—that is, the food processors and the retailers. Now, we may not like that, but the major studies down through the years have repeatedly shown that it is economic reality. It may not be 100-percent pass through, but it is a substantial pass through.

Consumers pay this, what I call a hidden subsidy, each time they buy a food product containing sugar at the grocery store. It amounts to a regressive hidden food tax. It is regressive, of course, because poor people spend a disproportionate share of their income on food.

The General Accounting Office, as we have heard, has repeatedly found the sugar program to be costly to consumers and other sugar users. GAO is an independent body. It is well respected. It is an arm of Congress. It has no ax to grind here. In 1993, it put the cost of this program at $1.4 billion a year to consumers and sugar users. In the past year, it took an even more exhaustive look at this program, and it found, once again, the cost to be $1.5 billion in 1996 and nearly $2 billion in 1998. Without the sugar program, GAO estimated consumers would pay $600-to $800 million a year less for table sugar alone. That is not addressing other processed foods.

These estimates would be less troubling to my organization if most of what consumers were paying in extra food costs was helping struggling family farmers, the farmers that Senator Kerrey and Senator Conrad referred to. Unfortunately, since the benefits under this program accrue on a per-pound basis, the bulk of the money goes to those who least need—it, the largest, most financially secure growers. GAO brought this point out in 1993. It said out that more than 40-percent of the benefits from the sugar program go to the top 1-percent of growers. Benefits, of course, are particularly concentrated among cane sugar growers 33 of them, GAO found, reaped in excess of a million dollars a year from this program. These beneficiaries are not Senator Kerrey's family farmers. The money they receive could be used by consumers to buy additional food or clothing, to help pay their mortgages, and to supplement their savings.

In addition to the consumer cost, taxpayers are bearing an increasing burden under the sugar program. The next witness, I believe, will address that in more detail.

Defenders of the sugar program dispute many of the numbers I have cited. In particular, they say consumers would never see any benefit if the sugar program were eliminated. Processors and retailers would simply pocket any savings from lower raw sugar prices.

But, contrary to some of the numbers we have heard this morning, consumers have already benefitted from the recent freefall in the farm price of sugar. The retail price of table sugar—and that is what you need to look at to see the impact of this program—hit a 4-year low in April. It was down 4-percent from a year earlier. That is despite rising energy costs.

Admittedly, this retail price drop is small compared to the producer price decline over the same period, and for that reason, my organization is watching these numbers very carefully. We will not hesitate to speak out if it appears processors and retailers are taking advantage of the recent sharp decline in producer prices and not passing savings on to consumers.

I should also say, while we object to the sugar program, CFA is concerned about the continuing decline in the number of small family farms in this country. Clearly, some small sugar beet farmers in the upper Midwest, in Nebraska, and elsewhere are facing serious financial problems. They deserve Federal help. We simply feel price supports are an inefficient way to do this because they concentrate benefits on the wrong producers.

In lieu of the sugar program, we suggest a targeted assistance package specifically designed to help small sugar producers and other producers that need help to survive.

Thank you.

[The prepared statement of Mr. Jaeger can be found in the appendix on page 126.]

The CHAIRMAN. Thank you very much, Mr. Jaeger.

Mr. Frydenlund.

STATEMENT OF JOHN E. FRYDENLUND, DIRECTOR, CENTER FOR INTERNATIONAL FOOD AND AGRICULTURE POLICY, CITIZENS AGAINST GOVERNMENT WASTE, WASHINGTON, DC.

Mr. FRYDENLUND. Mr. Chairman and members of the Committee, on behalf of Citizens Against Government Waste, thank you for the opportunity to testify on the Federal sugar program.

CAGW is a nonprofit, non-partisan organization with 1-million members and supporters which grew out of President Reagan's private sector survey on cost control, better known as the Grace Commission. The organization's mission is to work for the elimination of waste, mismanagement, and inefficiency in the Federal Government, with the goal of creating a government that manages its programs with the same eye to innovation, productivity, and economy that is dictated by the private sector.

The Center for International Food and Agriculture Policy institutionalized CAGW's longstanding goal of dismantling Depression-era agricultural price supports and regulations.

In addition to a belief that Congress should build on the accomplishments of the 1996 Freedom to Farm bill and achieve a truly free market for agriculture, the Center advances the philosophy that the best way to assure America's farmers a prosperous and secure future is to promote a more open, global food economy by dismantling barriers to free trade.

CAGW applauds Chairman Lugar for holding this hearing particularly at the present time, in advance of congressional consideration of a new farm bill. For years, the sugar lobby has successfully deceived the public into believing that the sugar program has no cost. However, the truth has finally come out. The Clinton administration's decision to purchase sugar to prop up domestic sugar prices finally debunks the greatest myth that producers have perpetrated on the U.S. public that the sugar program does not cost taxpayers anything.

In fact, there was always taxpayer cost to the sugar program, roughly $90 million annually, and increased costs of sugar purchases that went to Government feeding programs, etc..

The Clinton administration's mid-session budget review shows that from 2000 through 2005, the sugar program will cost taxpayers—not consumers, but taxpayers—a cumulative $1 billion. The White House agreed in May to purchase 132,000 tons of sugar which will cost taxpayers approximately $54 million. However, this is only the beginning.

The Clinton administration acknowledged that this purchase would not help strengthen sugar prices. In fact, according to a report in the highly respected Pro Farmer, USDA budget analysts expect the Government to spend $140 million on sugar this fiscal year. Indeed, the sugar lobby is already pushing for still more assistance that would cost at least as much as the sugar purchase.

The U.S. Department of Agriculture made this situation worse by mismanaging the tariff rate quota for sugar. Although USDA is supposed to announce the TRQ allocations prior to the beginning of each new fiscal year, this year the TRQ was announced late, over a month after the fiscal year began. If the TRQ is more than 1.5-million-tons, the U.S. sugar processors are eligible for non-recourse loans, which do not have to be repaid, but if the TRQ is less than 1.5-million-tons, the loans become recourse.

Since sugar processors would rather not have to repay their loans, they used their clout to pressure USDA to announce a TRQ that would permit them to forfeit sugar to the Government if they wished.

USDA came up with a novel approach of announcing an essentially fictional TRQ and simultaneously announcing a real TRQ that would actually be enforced. The fictional TRQ was just over 1.5-million-tons, just enough to give sugar processors the right not to repay their loans, but at the same time, USDA also announced that only 1.25-million-tons of the quota could actually be imported.

In other words, USDA perpetuated a sham by putting the 1.5-million in a press release, which gave the sugar processing industry the right not to repay loans made with taxpayer money, and by ensuring that the real TRQ was significantly less than this, 1.25-million-tons, USDA further restricted imports. In fact, the only reason USDA did not shrink the 1.25-million-ton figure even more is that the United States has an international obligation under the WTO not to import any less than this amount.

If USDA had followed the intent of the law last fall, the taxpayers would not be paying for sugar purchases now. If USDA had announced the TRQ at the true 1.25-million-ton level, then price support loans would have been recourse. The big processors could have still gotten the loans, but they would have had to pay them back with real money, not sugar.

USDA's administration of the TRQ has been marked by a short-term political focus and a bias in favor of the large domestic sugar interests that have historically wielded influence at the Department. Even before this year's fiasco, the General Accounting Office found that USDA raised sugar costs for users and consumers, $400 million higher than would have been necessary. In other words, USDA has not just imposed the annual cost of the program on users and consumers recently estimated by GAO at 2-billion, which was a 40-percent increase since its last report, but it has added another $40 million to the consumer tax for sugar.

In conclusion, for the good of U.S. taxpayers, consumers, and the rest of the agricultural industry, it is long past time to get rid of the U.S. sugar program.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Frydenlund can be found in the appendix on page 133.]

The CHAIRMAN. Thank you for that testimony.

The Chair at this point is going to call for a short recess. The roll call vote that was anticipated is occurring on the floor, and I will return as rapidly as possible. We will proceed, then, with the rest of our witnesses.

[Recess.]

The hearing is called to order. Again, we would like to proceed with our next witness, Mr. Kominus.

STATEMENT OF NICHOLAS KOMINUS, PRESIDENT, U.S. CANE SUGAR REFINERS' ASSOCIATION, WASHINGTON, DC.

Mr. KOMINUS. Thank you, Mr. Chairman.

I would like to begin by commending you for calling this hearing. Lord knows the sugar program needs a good look-see. Our cane sugar refining industry has suffered under the program since it was adopted in 1981, and now our producer friends in other segments of the industry are starting to share our pain.

Today, sugar is a mess. The Secretary of Agriculture has lost control of the situation, and it is largely of his own doing and that of his immediate predecessors. He can no longer support the price of sugar for domestic producers by regulating imports. So now the Secretary must resort to other steps such as purchases and perhaps plowing up planted acreage.

Over the years, our calls for more reasonable import quotas have gone unheeded. Tight import quotas have forced up the price of raw sugar to unreasonable levels well above the forfeiture levels and thereby stimulated unbridled domestic production. I believe the current mess could have been avoided or at least delayed had the Secretary responded to three changes you made in the sugar program in the 1996 farm bill.

The so-called no-cost provisions were dropped, and a 1-cent forfeiture penalty was adopted. Clearly, those changes would permit less restrictive import quotas, but despite our pleas and the pleas of others, the Secretary chose to ignore those changes.

He also chose to ignore the third change which attempted to restore balance to the program by denying non-recourse loans if imports continue to slip. Although everyone in the sugar trade knew that imports would be nowhere near the 1.5-million-ton trigger, the Secretary went ahead with non-recourse loans last year. All of this has resulted in the current mess. Where do we go from here?

We believe that the burden for correcting the oversupplied market should fall on those who created the problem by expanding acreage. A strong message should be sent to them. The Secretary should not further aggravate the situation by taking them off the hook. In this regard, we have five recommendations that we believe will help the situation.

First, the Secretary should announce and allocate the tariff rate quota well before the beginning of this coming marketing year. The 6-week delay in announcing the quota last year created all sorts of costly problems for refiners and others in the sugar trade and should not be repeated.

Second, if the quota allocated is less than 1.5-million-tons, the Secretary should, as the statute directs, provide resource loans. If the quota announced is greater than 1.5-million-tons, the 1.5-million-tons should actually be made available for import.

Third, if the Secretary is going to purchase more sugar, it should be refined sugar and not raw sugar, as low refined sugar prices are driving the low raw sugar prices. Purchasing raw sugar will not result in any increase in refined sugar prices, and, thus, will not act to avert refined beet sugar forfeitures.

Fourth, require that any increase in the quota for Mexico be imported as raw sugar for further refining. Cane sugar refiners should not be further disadvantaged by the program.

Fifth, and perhaps most importantly, Mr. Chairman, whatever short-term steps the Secretary takes to alleviate the current situation should be designed to facilitate a long-term solution to the problem.

Thank you.

[The prepared statement of Mr. Kominus can be found in the appendix on page 137.]

The CHAIRMAN. Thank you very much, Mr. Kominus.

Mr. Hammer.

STATEMENT OF TOM HAMMER, PRESIDENT, SWEETENER USERS ASSOCIATION, FALLS CHURCH, VIRGINIA

Mr. HAMMER. Mr. Chairman, partly because a lot of what I was going to say has been said and because of your 5-minute rule, I will just make a few remarks here.

Mr. Chairman, a lot has changed since I sat before you 5- or 6-years ago or so and we discussed the sugar program, and I dare say that my message at that time was not particularly well received by other members of your committee, or at least all the members to say the least. I was often politely dismissed and sometimes not so politely dismissed by saying that the sugar program was not broken and why in the world would I be up here offering suggestions to fix it, and that was generally followed with the comments that the sugar program was a great example because it cost no money.

I think that those two statements today do not meet at least today's reality test, and I would like to make a few comments about that.

For many years, we were concerned that the rigidness of the domestic sugar policy was not only unfair, but, more importantly, it would not be able to be sustained in a dynamic global economy. The answers to our problems are not simple. We are not in an isolated economy, and we are in the global economy and we must compete in such.

We are not dealing with one variable equation such as sugar. If you are a manufacturer of a product, it is rare that sugar is your only ingredient cost.

Also, we are not competitors. We are ultimately in a supply chain with the refiners, with the processors, along with the industrial users and the growers as we try to market our product to the ultimate consumer.

I would also say the TRQ plan is not working. It is not easy to administrate. There are many herky-jerky responses that are occurring. The so-called administrative plan that was discussed that was put in place in 1996 is impossible to administer for the very simple reason, Mr. Chairman, that we have always used as our import policy tool the import quota on raw and refined products to operate the sugar program.

Over the years, U.S. import of sugar declined from around 5-million-tons to its currently 1.25-million. Due to these highly restrictive sugar quotas, domestic sugar prices generally average more than two to three times above world prices.

Until recently, the operative element of the sugar program had been the tariff rate quota. The domestic sugar program is, therefore, not truly a farm program. Sugar rarely went into CCC loan programs and was almost never forfeited. There was no need for acreage controls or marketing constraints, although we did dabble in them for a year or so, because they could use the import quota to reduce supply. However, as a result of the WTO minimum commitment of 1.25-million, we are now at that level. I dare say two things. The WTO agreement was a very powerful agreement from the standpoint of the industry because we would be below the minimum import level that today if we had not done that, but as a result, we can no longer reduce sugar imports. So we are looking for other ways, like domestic sugar purchases and PIK programs. So we do need to look at this because the tools are no longer available to us.

Finally, if I may just say something from the manufacturer's position, and I would ask anyone to step into our shoes for a moment, if you saw higher sugar prices, you would be concerned for several reasons. If you have low world sugar prices and high domestic prices, four or five several problems can occur. One, we encourage imports, imports of sugar-containing products. Two, you encourage the ability or the desire for sugar-containing product manufacturers to look for sweetner substitutes at lower cost. We saw that in the soft drink industry. We are seeing it more and more daily in other products. Three, it makes it difficult for us to export into world markets where world prices are combined in those product costs. Finally, it makes it difficult for us to increase growth to our consumers. They are not wed to sweetened products. They are able to buy other products, and we would like to be competitive on the shelf with other consumer items.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Hammer can be found in the appendix on page 142.]

The CHAIRMAN. Thank you very much, Mr. Hammer, for your testimony.

Mr. Perry.

STATEMENT OF MARK PERRY, EXECUTIVE DIRECTOR, FLORIDA OCEANOGRAPHIC SOCIETY, STUART, FLORIDA

Mr. PERRY. Thank you, Mr. Chairman and Honorable Congressmen. I would like to submit my written report for inclusion in the record today and take a few minutes here just to give you a brief presentation on it.

We focussed on Florida. We took a look at Florida which we are familiar with. Just north of Lake Okeechobee is the Kissimmee River and the Kissimmee Lake and chain of lakes which used to gradually flow down into a very slow river flow into the Lake Okeechobee which then periodically would flow down in through this broad area of about 40 to 60 miles wide down through into the 10,000 Islands area. It is very visible in the satellite imagery here, but it also was adequately described back in 1947 by author and conservationist Marjory Stoneman Douglas as the river of grass. This was very slow-moving system which fluctuated according to the inflows from rainfall and seasonally.

What occurred back in the 1900's when Florida and the Congress were interested in reclaiming the Everglades, that is, to drain the Everglades down and make it more "valuable land" for agriculture and other purposes, they began building canals south of the lake. There were four main canals that were built south of Lake Okeechobee which went down south and then southeast to the ocean. Those canals in the 1920s were very effective at draining that land.

Also, around in 1930, the Army Corps of Engineers built the Hoover Dike around Lake Okeechobee which surrounded the entire lake, 32-to–40-foot-high dike, and effectively stopped any of that flow to the south. The Corps also constructed canals to the east to the St. Lucic Estuary on the East Coast and to the Caloosahatchee River Estuary on the West Coast. Those are the two major outlets that are used for controlling the lake level.

Since that time, the Corps over the past 50-years and the water management districts have been controlling that lake as a means of flood protection, but also for the effective use for the south area which is the 700-acres known as the Everglades Agricultural Area, or the EAA, which is south of Lake Okeechobee.

In that area, the majority, or about 80-percent or so, is sugar cane. There is about 460,000-acres, or about 50-percent of the domestic supply, producing about 2.1-million-tons-of-sugar annually.

About 440,000 tons is basically under the sugar program, but sugar has been used to really effectively control that water south of the lake. We talk about a subsidy here that is economic, and I know you are focussed on that, but if you could focus for a minute also on the hydrology of the area and how effectively sugar has used the water to control south Florida.

What has happened since that control is basically they have water when they need it for irrigation, and they pump it off to properties when they do not need it and drain the land so it is 2-feet below the surface which is ideal for sugar.

What has happened since that control has begun is the Everglades system and the Everglades has been completely interrupted and is now seeing devastating effects to the Everglades. The water is discharged east and west and really the demise of these estuaries is incredible. There is fish disease outbreaks which I have documented and other problems in the estuaries, and the lake has been kept artificially high which then produces a critical time for the lake. Just this past year, they have had to dump massive amounts out of Lake Okeechobee just to bring the lake down environmentally to save Lake Okeechobee.

So what happens here is a complete control over this area south of the lake. You mentioned that there was farm bill money that was helped to buy back about 200-million, and 133-million of that was used last year for the Talisman tracts south of the lake in the EAA, but that tract is now also being leased back to sugar cane in order to continue to farm it for sugar cane for the next 3- to 5-years.

So we need to continue, though, to look at—and I urge you instead of buying the sugar back and oversurplus supply—is to take that money and apply it to buying the land itself that is in production underneath Lake Okeechobee and turning that land back into the saw grass communities and restoring the Everglades, saving Lake Okeechobee, and also saving these estuary systems. I think it is very critical for the environment, but also critical for the water in south Florida if we are going to have a sustainable south Florida.

Thank you for the time, and I will be available for questions.

[The prepared statement of Mr. Perry can be found in the appendix on page 152.]

The CHAIRMAN. Thank you very much, Mr. Perry, for coming this morning to offer that very important testimony.

Ms. Estenoz.

STATEMENT OF SHANNON ESTENOZ, ON BEHALF OF THE WORLD WILDLIFE FUND AND THE EVERGLADES COALITION, WASHINGTON, DC.

Ms. ESTENOZ. Yes, Mr. Chairman. Good morning.

I want to thank you for the opportunity to represent the Everglades Coalition this morning on this issue that we consider to be so central to the question of Everglades restoration.

The Everglades Coalition is a consortium of 42 civic, environmental, and recreational organizations dedicated to the preservation and restoration of America's Everglades. I want to in particular thank you, Mr. Chairman, for your personal leadership and dedication that you have shown in support of Everglades restoration over the years.

I want to straighten out a small, but I think important detail. I notice on the witness list that it indicates that I am from Washington, D.C., and though I love our Nation's Capital and enjoy my visits here, I have had the privilege of living and working within a few miles of the Everglades my entire life.

A fundamental point, I think, made by Mr. Perry is that the Everglades Agricultural Area, as we know it today, was not just a part of the historic Everglades like any other. It was the central water storage feature of the system. Its primary ecological function was to store water.

When it was drained for agriculture, the Everglades lost this enormous 700,000-acre natural storage reservoir. The only way to restore the Everglades is to build water storage back in the system. We have got to take that fresh water that we currently discharge out to tide. We have got to capture it, clean it, redistribute it to the remaining Everglades and to the built environment, and we have got to figure out a way to do it that meets the needs of a restored Everglades, but that is also fair and equitable to the public.

From an ecological perspective, it makes sense to restore this water storage in places that it existed historically. To the extent we can do that, to the extent that it makes fiscal sense and technical sense, we should be putting the storage back where it existed historically, and that is true throughout the system, not just in the EAA, but, unfortunately, the economics of growing sugar in south Florida is distorted by subsidy and price supports.

Large-scale sugar production in south Florida exists as a result of a vast and complex system of publicly subsidized flood protection, drainage, and water supply that combine to provide enormous benefit to the growers in the region. Sugar producers in south Florida are essentially immune to weather-related adversity, and this is no small boon in a region that is characterized by the extremes of drought and flood.

On top of all of the advantage that the publicly subsidized water management system provides, growers in South Florida also benefit significantly from the Federal price support program. They benefit not only at a cost to consumers, but at a significant and direct cost to the Everglades and a disproportionate cost to the Florida taxpayer.

The price support program obviously did not create the EAA as we know it, but it certainly has come to define its size and maximize its impact on the Everglades. The Everglades Coalition proposes to restore rationality to the economics of growing sugar in south Florida and to the economics of restoring the Everglades by urging Congress to phase out the sugar program when it considers reauthorizing the farm bill.

The program has significant and direct impacts on the Everglades. By eliminating risk and guaranteeing profit, the program encourages overproduction. It keeps marginal lands that are only profitable because of price supports in production. These lands contribute directly to phosphorous pollution in the Everglades ecosystem. As it is, Florida taxpayers are paying 70-percent of the cost to clean up EAA runoff.

Lands that are in production because of the program contribute directly to the water management conflicts that Mr. Perry described. He also described the devastating impacts that those conflicts have on the surrounding estuary systems and on the central

Everglades. The value of these lands is kept artificially high, distorting the economic analysis that goes into determining the smartest and best and least expensive way of restoring water storage to the system. It distorts our ability to decide to what extent and how we should be restoring water storage in the EAA. The Everglades Coalition urges the Congress to phase out the program and put an end to these distortions.

In closing, Mr. Chairman, I want to leave you with a final proposal. Unless or until the sugar program is phased out, the Federal Government will be periodically faced with a decision of whether to buy sugar or face loan defaults. Decisions to buy sugar simply encourage the growth of more sugar and so on in a continuous cycle of misplaced incentive, cost to consumers, and devastating impact to the Everglades.

As an alternative to buying sugar, the Government could choose to buy land in the EAA taking it permanently out of sugar production and thereby ending the cycle of overproduction and buyback that is so destructive to the Everglades.

In short, Mr. Chairman, the Coalition urges Government to buy land, not sugar. Again, I thank you for the opportunity to address you this morning.

[The prepared statement of Ms. Estenoz can be found in the appendix on page 155.]

The CHAIRMAN. Thank you very much.

Ms. Estenoz or Mr. Perry, either one of you might have a response to this question. In November of 1995, I offered legislation co-sponsored by the distinguished ranking member then of our committee, Senator Leahy, to assess Florida's sugar at 2-cents a pound in order to provide money to purchase the land and to in fact clean up the Everglades. That had some debate here, but it resonated in Florida politics, and as you know, referenda occurred in the election of 1996 in which, as I recall, by about a 52- to 48-percent margin, such an idea lost.

What are the dynamics of Florida politics, or why would such a good idea have lost? Obviously, this was a very large issue in Florida, a very conspicuous issue in 1996, and I just query from your own response, since both of you are from Florida here today, what is going on there.

Ms. ESTENOZ. That is an excellent question, Mr. Chairman.

That initiative did fail by a very close margin in Florida, and I think as some of these initiatives often go, they often turn on sort of last-minute information and kind of public campaigns that include commercials, very well-funded campaign to fight that initiative, and I think that, that was absolutely central in defeating that proposal.

I think what we are seeing in Florida now is the debate among the people of Florida about Everglades restoration has really reached a new level, and it is primarily because the restoration plan is moving through Congress as we speak and people are talking about it, and they are looking at how much it is going to cost us.

It is going to cost the Federal Government $4 billion to restore the Everglades, but the other $4 billion is going to come from the State of Florida. I think folks are really now in the year 2000 looking at that, looking at that bill square in the eye, that bill to fix the Everglades. They are realizing that we really need to make public policy decisions that make sense and that fit with this larger goal to restore the Everglades.

I think the other thing I would say is that I think the public understands better now than they ever have before that as goes the Everglades, so goes south Florida. South Florida cannot exist—we cannot maintain our quality of life. We cannot maintain our water supply without a healthy Everglades ecosystem, and I think people are looking much more critically now in south Florida at ways to make that happen.

The CHAIRMAN. I was impressed with the fact that although we discussed these programs in Agriculture Committee and it is one of the many programs that we have and obviously helps farm families and what have you, the ramifications when you have the concentration that occurred in the industry in Florida on the environment are very, very substantial, in fact, finally tragic and devastating to the economy of a large portion of a major State. So the ripple flows out.

We have had testimony from all of you that the ramifications on our foreign policy—and once again, this is not the purview of this committee, but I know from my own experiences in the Philippines and trying to build democracy in Latin America throughout the 1980s that this issue was a tremendously important issue, and it had devastating impact upon those who were attempting to bring about democracy and free market economics in those countries.

You might wish they were dealing with something in other than sugar, but they were dealing in sugar. It was extremely important. As we have heard earlier on, this is a very important and emotional subject for lots of countries.

So, on the one hand, we were advising them to head toward democracy and market economics, and on the other hand we had a program that debilitated many of those efforts and continues to really even today. So they are big issues outside this committee, but we sort of bring them in here.

I just come back to the fact that we have a program now that stimulates more supply. The fact is that the loan rates and the policies being administered encourage people in the United States for whatever reason, to produce more sugar, even as we sit here and as we try to decide how we are going to dispose of it. That is not a good idea. It is intuitive that somehow we need to change the supply-and-demand equation, and the question is how to do so with the most positive effects for all the people who are involved. So we are continuing to search, really, for how to do this.

We have these votes from time to time on whether to end the program, and they fail routinely by 2 to 1 because people say there are all kinds of problems in just eliminating cold turkey, and there are, but incremental attempts—I cited the attempt of Senator Bradley, 10-years or so ago, to even make a 2-cent change also failed 54 to 44 at that time. Maybe the Congress has changed, but, essentially, this is a program that has been very durable, whatever its effects upon the Everglades, on world trade, on democracy in the hemisphere, on American consumers, and, therefore, it is sort of curious for somebody who is outside the loop of people who come to a sugar hearing as to how in the world such a thing could have started and be allowed to persist. You have offered good testimony in terms of some of the problems we must face. I hope you will work with the Committee in terms of constructive solutions. We will try to find some.

Let me call now on Senator Conrad.

Senator CONRAD. Mr. Chairman, I appreciate this panel. Obviously, there are many issues that have to be considered that relate to different parts of the country. I noted that Ambassador Shapiro made the statement that having a program makes hollow our request to other countries to abandon their support measures. I would simply say the hard reality is other countries have these support measures, and those who advocate unilateral disarmament, I think, are misguided.

Those who believe that if we end our programs, thereby supposedly setting a good example for other countries, will be sorely disappointed. That is precisely what we did in the last farm bill, which proved to be a disaster. That is why we have had to write three disaster bills in the last 3-years because some had this notion—I think it is naive—that if we just cut our support for farmers, other countries would follow our good example. That is not what happened. The Europeans did not cut their programs. Instead, they went full speed ahead. The result is they have gobbled up market share, establishing a stronger position in world agriculture than we have. USDA now tells us for the first time, Europe will surpass us in world market share.

So my own conclusion is the only way you get a result is if you have leverage, and the only leverage you have is to match our competitors in terms of the programs that they have to support their producers, and if we fail to do that, we simply are abandoning our producers and consigning them to failure. That is a disaster, too.

I go in the small towns, the farms of my State and see real economic hardship because, as I have indicated in the chart I have put up before, our major competitors are outspending us 10 to 1 in support for their producers. The only way that I can see that you get both sides to back off is if you have leverage and if you are in a position to negotiate a more favorable result.

The hard reality is we do not have any leverage. When the other side outspends you 10 to 1, they win and you lose. So my own view is we have got to rearm in agriculture. We have got to rebuilt our defenses.

As I said to some of my colleagues, if we were in a military confrontation with the Russians and they had 50,000 tanks and we had 10,000 tanks, would our first move be to cut our tanks in half? I do not think so. That is exactly what we did in the last farm bill in agriculture. The Europeans were spending $50 billion a year to support their producers. We were spending 10. In the last farm bill, we cut our support for our producers in half to $5 billion, and then we wonder why they are gaining world market share and moving into a superior position.

We go to Seattle, and they are unwilling to move. They are unwilling to back off their massive export subsidies. Why? Because we have no leverage to negotiate a better result.

So, Mr. Chairman, I hope all of these facts are kept in mind as we move forward because I think we have adopted a losing proposition in terms of a strategy for American agriculture, and the result will be the ruination, the economic ruination of tens of thousands of farm families who do not deserve that result.

The CHAIRMAN. Thank you, Senator Conrad.

Senator Kerrey?

Senator KERREY. Thank you, Mr. Chairman.

First of all, I want to thank the witnesses for taking your time, including an interrupted testimony with the vote, to appear before us. Thank you, Mr. Chairman, as well for holding these hearings because I do think that we have a program that is a mess.

We have got serious problems, and it is embarrassing, to put it mildly, to have to get into considering things like a PIK or a buyout and doing the various extraordinary things we are considering right now.

My own thinking is that some sort of structural change is needed. Senator Roberts, a week before last, and I held a hearing on the issues of trade and how do we promote agricultural trade, and I would say to you, Mr. Chairman, there are a number of structural impediments that make it very, very difficult to get decisions made. As a consequence, I think we have missed huge opportunities to constructively assist Russia, for example, in making the transition to free markets. Instead, we have supported and stabilized corrupt government structures instead of encouraging the private sector.

We have, I think, an opportunity, if we can do it in a calm way, to examine the sugar program and perhaps connect it to some other trade issues and get the bureaucracies of Government to start working in a more constructive way.

I am compelled, however, to say in listening to the witnesses that in 12-years of operating, working, and serving the people of Nebraska in the Senate, I have seen the United States of America time and time again take the lead in opening our markets. Nobody has lower tariffs and trade barriers than the United States, and I do not think we have to apologize. You may not like the sugar program, but it is certainly relative to the rest of our trade programs. I am not embarrassed by it given the willingness of the United States of America to lead and put our workers at risk. Do not tell me it does not put our workers at risk.

I would say one of the reason that issue may have been defeated in Florida is people like jobs. They sort of think it is an important thing to have. I have got real job security. I do not have to worry about the damn marketplace, and I get paid $132,000 whether I perform or not, but 137-million-Americans do not. They have got to work out there in that marketplace, and trade can play a nasty trick on somebody at the age of 55. Please do not tell me I have got to go and learn computer software when I am 55-years of age if my job goes south, or move someplace else. There are all these theories of comparative advantage and so forth, and I have voted for free trade things. I have said that the United States has got to lead, and as to democracy, my God, consider the price that Americans have paid in blood and in money in the last 60-years. Please do not tell me that the United States of America has not led in trying to help the rest of the world become more democratic.

I have listened without success to fight back tears to Vaclav Havel, Nelson Mandela, Kim Dae-Jung of South Korea. We have paid a big price, America has, and we do not have to apologize for that as we are trying to examine how to make the sugar program work.

I voted to help restore the Everglades. It is not in Nebraska. My ecosystem is the Missouri River, and we worry and try to figure out how to balance the needs of the Missouri River as well, trying to protect that ecosystem, redevelop that ecosystem. We recognize we made mistakes, but I have got a million people that work at home and they want jobs. They have got to produce something and earn something. They are trying to earn a living.

Mr. Chairman, I apologize for making a philosophical statement here, but it seems to me that in the presentation of the case against the sugar program, we are arguing somehow the United States of America is a protectionist Nation. We are not. Point to me another Nation on earth that would allow itself to develop the kind of deficits that we have. We bailed Asia out. We responded responsibly when the BOT declined in Thailand and Asia was in the toilet. We did not protect our marketplace at that time. We allowed enormous amounts of imports to come in the United States.

I think these hearings can lead to some constructive change in this program. I do think it is a mess. I do think as well that it connects to the problems that Senator Roberts and I saw when we had our witnesses coming up and talking to us about the barriers and problems and frustrations.

I hope I do not mispronounce Mr. Kominus' name. Somebody like yourself that is actively involved in the business laid out some very concrete suggestions of ways that we perhaps might make this program work better. I appreciate all the other suggestions as well. I think we have got to find a way to improve this program rather than just beating ourselves to death saying there is something wrong with America as a consequence of, one, to produce a program that creates jobs for our people.

The CHAIRMAN. Thank you very much, Senator Kerrey. I pay tribute to you again for supporting our committee's attempt to get into complex problems. We had a very good hearing on energy policy in the country last week that I thought was an extraordinary opportunity to explore that and to put on the record for our colleagues a whole host of both problems and alternatives. I am hopeful this hearing will have a similar effect.

I would just announce for all who are interested, we will have a hearing tomorrow on the proposal by Senator McGovern, Senator Dole, and others for a school lunch program worldwide. The ramifications of that might be another complex and important issue that the President has focussed on recently and others have.

But for the moment, we thank each one of you for coming and for your patience and waiting through our roll call vote situation.

Yes. Ambassador Shapiro, do you have a comment?

Mr. SHAPIRO. Mr. Chairman, thank you.

Because Senator Conrad—I am sorry he is gone—and Senator Kerrey's statements were so strong, I just wanted to make a couple of comments.

The first is that nothing in my statement should suggest that this is not a hellaciously difficult problem. It is. Everything I learned about trade started when I worked in the U.S. Senate, in the 1980s and 1970s—where every job and every farm matters. So I take that as a given.

What I was trying to say is that a full accounting of the costs and benefits of this program includes trying to figure out how it fits with our other agricultural trade objectives. This Government has been committed to opening markets around the world, and if you look around the world, you will find that agricultural barriers are still very high.

In my view, you change that in the next multicultural negotiation or regional negotiation by finding allies, having leverage, and essentially asking others to open their sensitive markets by being willing to open your own.

I wanted to say to Senator Conrad—and we have worked together before—I have never believed in unilateral disarmament.

I do believe that the sugar program undercuts our ability to isolate the European Union. I believe we are in something of a worldwide competition as to how we approach agriculture around the world, and I think the sugar program has the unfortunate effect of undercutting our position in that regard, but nothing any of us has said should suggest this is not a hellaciously difficult problem.

The CHAIRMAN. Thank you very much.

The Chair would like to call now a panel composed of: Mr. Ray VanDriessche of the American Sugarbeet Growers Association; Mr. James J. Horvath, President and Chief Executive Office of the American Crystal Sugar Company; Mr. Alan Kennett, President and General Manager of Gay & Robinson, Incorporated, in Kauai, Hawaii; Mr. Jack Lay, President of the Refined Sugars, Incorporated, of Yonkers, New York, accompanied by Jack Roney, Director of Economics and Policy Analysis of the American Sugar Alliance; Mr. Lindsay McLaughlin, Legislative Director of the International Longshore and Warehouse Union; and Professor David Orden, Agricultural and Applied Economics at the Virginia Polytechnic Institute and State University.

Gentlemen, we thank you for coming, and I will ask you to summarize your testimony as we have asked the other witnesses in 5-minutes. Your full statements will be made a part of the record, and then we will have questions by our Senators and our panel.

Mr. VanDriessche.

STATEMENT BY RAY VANDRIESSCHE, PRESIDENT, AMERICAN SUGAR BEET GROWERS ASSOCIATION, BAY CITY, MICHIGAN

Mr. VANDRIESSCHE. Good morning. I just would like to let everybody know that we have the opportunity here to have a sugar beet here for those who have never had a chance to see one. So this is a sugar beet.

Mr. Chairman, my name is Ray VanDriessche. My brother and I are sugar beet, corn, soybean, and dry bean farmers from Bay City, Michigan. As president of the American Sugar Beet Growers Association, I represent over 12,000 family farmers who grow sugar beets in 12 States.

Mr. Chairman, it is critical to set the record straight on three basic points. First, the U.S. sugar industry is efficient and globally competitive. Beet sugar produced in the U.S. is the lowest cost among beet sugar producers worldwide, as seen on chart one. In fact, over half of the sugar produced in the world is produced at a higher cost than U.S. beet and cane sugar, as seen on chart two, and 75-percent of the world's sugar is produced in developing countries that have substantially lower health, safety, and labor standards, and environmental standards and costs than what we do. Our sugar and our sweetener industry has a comparative advantage and an economic right to produce the essential ingredient for our market.

Second, the world's sugar market is a dump market. The price of sugar on the world market does not reflect its cost of production. Chart three shows that the average price of sugar on the world raw market for a 10-year period is about one-half of the average worldwide cost of production of raw sugar during that same period.

Sugar policy in the U.S. has been a proper response to the predatory trade practices of our competitors. U.S. consumers pay 20-percent less for refined sugar than the average consumer in other developed countries. Comparing U.S. sugar prices against the world market price is ignorant, foolish, or is an attempt to deceive those who are not informed of the facts.

Third, lower sugar prices are not passed onto consumers. Industrial users purchase the majority of sugar in this country. The evidence is clear that their savings on lower-priced sugar is not passed onto the consumer. Chart seven shows the decline in U.S. prices since the beginning of the 1996 farm bill and the continued increase in the price of sugar-containing products. There has never been any evidence of pass through of savings to the consumers.

Mr. Chairman, let me tell you why there is so much controversy over sugar. Big corporate users attack sugar policy because they actually have to pay for what it cost to produce the commodity, but you never hear them whine about the billions of dollars that Government spends on other commodities that are necessary and are appropriate to rescue those farmers from economic disaster. Such policies allow them to purchase commodities below the farmer's cost of production, shifting the cost to the taxpayer. In the end, the farmer is blamed for Government cost. It survives, but does not prosper, and the big user reaps the benefit of commodities priced below the farmer's cost and does not pass the savings onto the consumer. An economic crisis is plaguing our industry and affecting every grower throughout the country because every grower's income is directly tied to the price of refined sugar.

Chart eight shows the collapse of the refined sugar market since late last year. Refined sugar prices have dropped by 34-percent since the beginning of the 1996 farm bill, and now prices in every production region are well below the forfeiture price. The current market conditions have not only put our farmers at risk, but also our processing factories, their workers, and our real communities.

The price collapse is a result of three factors: quota circumvention by stuffed molasses from Canada; the threat of increased Mexican imports under the NAFTA; and increased domestic production due to the lack of profitable alternative crops, three consecutive years of good weather that produced excellent crops, and companies attempting to maximize efficiencies by greater throughput.

For 15-years, the U.S. sugar policy has run at no cost to the taxpayer, and in the last decade, sugar producers contributed $279 million in marketing taxes to help reduce the Federal deficit. This was achieved because we had a balanced market and both the legislative authority and the administrative tools to properly balance supply and demand. The major reforms of the 1996 farm bill and the effects of the NAFTA and Uruguay Round import commitments have thrown our industry into our current crisis.

Congress has appropriately stepped in over the past 5-years with billions of dollars to assist other commodities. We believe our industry is equally threatened and deserves some form of relief, also.

Mr. Chairman, four things need to be fixed immediately to save our farmers and our industry. First, the administration must buy more sugar to avoid massive forfeiture. Second, we must retain non-recourse loans for the crop we are about to receive. Third, the circumvention of our tariff rate quota from products like stuffed molasses must be stopped. Finally, we need to resolve the dispute with Mexico over the NAFTA provisions.

Thank you, Mr. Chairman.

[The prepared statement of Mr. VanDriessche can be found in the appendix on page 165.]

The CHAIRMAN. Thank you very much, Sir.

Mr. Horvath.

STATEMENT OF JAMES J. HORVATH, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMERICAN CRYSTAL SUGAR COMPANY, MOORHEAD, MINNESOTA

Mr. HORVATH. Thank you, Mr. Chairman and members of the Committee. I appreciate the opportunity to appear before you today.

I am going to summarize my comments, as you requested, Mr. Chairman, because I have submitted my testimony for the record. My name is Jim Horvath, and I am president and chief executive officer of American Crystal Sugar Company, based on Moorhead, Minnesota. American Crystal is the largest sugar beet company in the United States with five factories in the Red River Valley of Minnesota and North Dakota. As a cooperative, we are owned by 3,000 family farmer shareholders, and we have about 1,500 employees.

The subject of today's hearing, the sugar policy is unsustainable given the current circumstances, is simply not an accurate conclusion. To analyze it, let's review some facts.

The first fact is that sugar prices have been flat for 15-years. Here is a chart showing nominal and real sugar prices since 1985. As the trend lines show, nominal sugar prices have been stagnant, while the real prices have dropped precipitously. The chart also shows that since the 1996 farm bill, prices are down dramatically taking a nosedive of 30-percent just since last year. This is the lowest level of price in the last 22-years. Prices now stand below the forfeiture level in all regions of the country.

Some people argue that flat prices mean high prices. Let me assure you it does not. Otherwise, we would not have seen seven sugar beet factories close since 1993, with two more slated for closure for next year. Profitable factories, Mr. Chairman, do not close. Those that cannot offset inflation do.

Under flat prices, one of the few ways to fight inflation is through growth. Without a strategy of growth to continually seek efficiencies, it is very likely that American Crystal's factories would have closed by now, also. Growth is not a strategy to raise havoc. It is a strategy to survive, plain and simple.

Some people blame the current price collapse on growth. Well, that is not so plain and simple. It is a fact that the terrible farm economy has forced shifts in acreage from program crops to sugar beets and sugar cane. More obvious contributors to our current situation are our trade agreements. Quite frankly, the sweetener provisions of the North American Free Trade Agreement are shortsighted and disastrous. The agreement gives Mexico guaranteed and, in some cases, unlimited access to our market, and it ensures that any access would have occurred fairly, as though the billions of dollars of subsidies the Mexican government is providing its sugar industry to exploit this agreement had not occurred. Unless it has changed, Mr. Chairman, NAFTA will destroy an efficient and productive United States sugar industry.

The Uruguay Round of GATT also contributes to the current crisis in sugar. It requires the United States to import about 12-percent of our domestic consumption whether we need it or not.

Another factor is the egregious case of stuffed molasses. The London-based sugar trading corporation, ED&F Man, has continued to blatantly circumvent our harmonized trade schedule in a manner that should cause all Senators, supporters and opponents alike, to bristle. This sneaky scheme offends our customs laws, our sugar policy, and our common sense. It is flat-out circumvention, and it must be stopped.

So, Mr. Chairman, these facts explain the real reasons of sugar price collapse we are experiencing. To rectify the situation, the sugar industry has been seeking USDA assistance in the form of sugar purchases. We are seeking this because of the dramatic stress in the industry and because it will actually save the Government money.

On May 11th, Secretary Glickman announced a modest purchase of 150,000 tons of sugar, although the final purchase amount was less. While we greatly appreciate the Secretary's action, it is simply not enough. Forfeitures under the loan program are not only possible this year, they are inevitable.

Anticipating this, the Secretary made a clear recommendation that he expects the sugar industry to come forward with additional measures to address sugar supply. We took the Secretary's message seriously. As you, Mr. Chairman, and the Committee have heard from Mr. Schumacher, a payment-in-kind program for the current crop year is under consideration by the USDA.

At American Crystal, we are supportive of this concept. We believe it achieves several worthwhile objectives for the industry and the Government. It quickly reduces the current oversupply. It relieves the USDA of the responsibility of managing large amounts of sugar, and it returns balance to the oversupplied market, and, again, it saves the Government money.

Mr. Chairman, in conclusion, I was chief financial officer at American Crystal Sugar Company for 13-years before I became CEO 2-years ago. I know how to run a sugar company. The farmers who own our cooperative know how to do that, too. The fact is I still think it is remarkable that we have been able to do this and do the things right in our industry in spite of flat prices for the last 15-years.

Having done what is right, we believe it is also right to implement measures in the short term to restore an economic environment in which shareholder investments and logical business strategies can fairly operate. For issues beyond that, we look forward to the 2002 farm bill debate which, as you know, is not that very far away.

Again, thank you for the opportunity to testify, Mr. Chairman.

[The prepared statement of Mr. Horvath can be found in the appendix on page 176.]

The CHAIRMAN. Thank you very much, Mr. Horvath, for your important testimony.

Mr. Kennett.

STATEMENT OF ALAN KENNETT, PRESIDENT AND GENERAL MANAGER, GAY & ROBINSON, INC., KAUMAKANI, KAUAI, HAWAII

Mr. KENNETT. Thank you, Mr. Chairman and Members of the Senate Agriculture Committee.

My name is Alan Kennett. I am the president and general manager of Gay & Robinson. G&R is a family-operated sugar cane farm and cattle ranch. I have been involved in the sugar industry for 35-years, beginning my sugar career in England. I have worked in Africa, the Caribbean, and now fortunately in Hawaii.

Today, I speak for the sugar cane farmers of Hawaii. The Hawaiian sugar industry began commercial operations 165-years ago on the Island of Kauai. For many years, beginning in the 1950's up through 1986, Hawaii's annual production exceeded 1-million-tons-of-sugar. Today, Hawaii produces only 330,000 tons of sugar annually from far-operating factories.

In 1986, there were 13 operating factories, and sugar was grown on all of the four major islands, Hawaii, Maui, Oahu, and Kauai. Today, sugar is grown only on Maui and Kauai.

Earlier this month, AMFAC Sugar on Kauai announced plans to furlough 100 of its workers immediately, and I am afraid this is an indication that they may be finally getting out of the business.

Unfortunately, since the demise of sugar on the big island, nothing has replaced sugar as a viable agricultural crop, and the former cane lands remain idle, overgrown with weeds. Unemployment is high, and drug usage, marijuana growing and drug trafficking, have increased dramatically, as have the social problems that are created by high unemployment and drug usage.

Maui and Kauai could see the same occur should we lose our sugar industry. Our company, G&R, employs 270 people. We also provide housing for 350 families of both current and former employees. I promised our workers that I would do my best to impress upon you the importance of this issue. I pray to God, I do not let them down.

Try and imagine what it must be like to wonder if you have a job tomorrow, next week, next month, next year. On the Island of Kauai, that is what many of our employees of sugar wake up contemplating each morning.

One of my workers suggested to have the Senate Agriculture Committee come and visit and see firsthand these rural communities and witness what is going on and see for yourself the despair that exists in places where sugar was once grown.

Because of Hawaii's isolation relative to our market, Hawaiian producers incur high freight costs, which puts us at a disadvantage relative to other sugar-producing areas. Clearly, Hawaii has not received congressionally approved returns from the sugar program, nor have many U.S. sugar farmers whose livelihoods are being threatened by the dramatic fall in prices over the past year.

When Congress passed the 1996 farm bill, we were lead to believe that we had an 18-cent price for 7-years. We went out and we invested money in our business. We have not seen anything like the 18-cent price we thought we would have. This is not fair.

Oversupply and loss of market confidence in the ability of USDA to maintain a viable program have resulted in some fairly depressed producer prices for raw and refined sugar. The U.S. raw sugar cane prices have fallen about 22.5-cents a pound to 17-cents, the lowest in 18-years. To put this in perspective for Hawaii, if you take the 17-cent price level, you need to take 3.62-cents off for handling, transportation, and a refiner discount. We in Hawaii are presently only receiving 13.38-cents a pound, and we do not have the benefit of the price flow protection because we cannot use the loan program.

Sugar has been overlooked in Government market loan assistance efforts during the farm crisis for the past several years. Net CCC outlays for other program crops exceeded 10-billion in fiscal 1998 and 19-billion last year. Sugar revenues totaled 30-million in 1998 and 51-million last year. Nearly 30-billion is budgeted for other program crops this year.

Government action to address this problem is appropriate because so many of the factors leading to the price drop of sugar are more closely related to Government action and inaction than to producer decisions. Furthermore, the Government has responded to similar price drops for other program crops by providing tens of billions of dollars in assistance over the past several years.

I see my time has run out, Mr. Chairman. I would like to just conclude.

Sugar farmers in Hawaii are in serious danger. If sugar was no longer grown in Hawaii, that would have a devastating effect on the Hawaiian economy. We have done much to look for ways to survive the changing economics of the U.S. sugar industry. We have made significant efforts to become more efficient by continued investment in our farming operations. We have pursued alternative sugar cane byproducts to provide additional and independent sources of income to the plantation. The U.S. Government has shown compassion to other farmers in crisis. Why not for sugar farmers?

Please remember that sugar farmers want what all other program crops want, a fair opportunity to farm and make a reasonable living. American sugar producers' competitiveness and the disastrously low prices parallel the plight of other American farms. Sugar farms do not want to be treated more favorably than other farmers, just equally.

Thank you.

[The prepared statement of Mr. Kennett can be found in the appendix on page 182.]

The CHAIRMAN. Thank you very much, Mr. Kennett, for coming all the way from Hawaii to give this testimony. We appreciate it.

Mr. Lay.

STATEMENT OF JACK LAY, PRESIDENT, REFINED SUGARS, INC., YONKERS, NEW YORK ACCOMPANIED BY JACK RONEY, DIRECTOR OF ECONOMICS AND POLICY ANALYSIS, AMERICAN SUGAR ALLIANCE

Mr. LAY. Mr. Chairman and members of the Committee, I appreciate the opportunity to appear before you today to offer a perspective on what I believe to be a needed change in the direction for both U.S. and international sugar policies. I am currently serving as president of Refined Sugars, Inc., in Yonkers, New York. I recently returned to the sugar industry after 7-years of retirement, having been employed by Domino Sugar for 39-years and ultimately as president.

Reference was made previously as to 12-sugar-cane-refiners closing. As one who had direct responsibility for closing two of those refineries, the reason was not because of the sugar program, but rather because of the high fructose corn syrup displacement of sugar in soft drinks.

Many of the refineries that have closed would have closed regardless of whether it was high fructose or not, in my opinion, because they were inefficient.

Mr. Chairman, the structure of the sugar industry in every country of the world is cumbersome and complicated. The United States is no exception to the general rule. Sugar requires a dedication of large numbers of acres of land as well as substantial capital assets to grow beets and cane as well as to provide beet processing, cane-milling and cane-refining facilities to produce raw and refined sugars.

Rotation of the crop on a yearly basis to reflect or anticipate swings in general commodity prices does not occur in sugar. Stability is what all sugar producers hope to achieve, so long as the price they receive is above their cost of production, or in the case of the cane refiner, the cost of raw sugar acquisition plus a refining margin sufficient to cover refining cost and provide a reasonable return on investment.

The uniqueness of sugar is the primary reason that Government agricultural policies support sugar to the extent that they do. In many countries, this direct support leads to overproduction. Overproduction then leads to dumping of sugar on the world market, and ultimately the world market price bears no relation to the actual cost of producing sugar.

In the United States, we support producers indirectly. We limit imports in the hope that domestic prices will settle at levels that yield a fair and reasonable return to growers. Many decry the intervention of the U.S. in the domestic sugar market through the USDA's administration of the import quota. However, the United States imports roughly 15-percent of its requirements, and is the third largest importer of sugar, second only to Russia and Indonesia, and most of this comes in tariff-free. Whereas, most of the larger world producers are subsidized exporters.

It has been the position of the U.S. Government and the U.S. sugar industry in international trade negotiations that all government supports of sugar be phased out. However, European Union, a large exporter, has shown little interest in further internal reforms and has recently concluded several regional free trade agreements that specifically exclude sugar.

Mexico has reacted to tough times by rolling over large Government loans to privatize sugar groups. Even Australia, the supposed free trade paragon in agriculture, has relapsed in the last 2-years into more traditional patterns of conduct coming to the financial aid of its sugar industry.

The U.S. sugar policy that was adopted by Congress in the 1996 farm bill presumed that the global march towards free trade would take a predictable path. The 1996 farm bill repealed supply management policies that attempted to limit U.S. sugar production. It also reinforced the premise that the U.S. would continue to import more than our Uruguay Round commitment of 1.2-million-tons-of-sugar from abroad.

In 1996, producer prices in the U.S. were at stable levels. With marketing controls repealed, sugar growers planted more, confident that the import quota would be ratcheted down to maintain a constant domestic price support.

AMTA payments to producers of other crops allowed them to begin to grow sugar as an alternate crop, and, consequently, domestic production grew and the import quota was cut until it hit the WTO floor and then prices collapsed in both raw and refined sugar. It is not a pretty picture, but it is the culmination of a cycle that had its origin in 1996 legislation. We took the restraints off of domestic production. It was assumed that our efficient producers would grow for the U.S. market as well as for world markets. The policy assumption was that world markets would rationalize as a result of global elimination of Government subsidies. This has not happened. As evidence to this, one need only look at the world price levels of sugar which until recently have been substantially below the cost of production, of even the lowest-cost producer. This reflects increasing levels of Government support around the world for sugar industries, not less support.

We now have too much sugar grown in the United States. We also have international trade obligations that require us to import large amounts of sugar whether we need it or not.

You have heard reference to the stuffed molasses here today which bypasses the TRQ and results in 132,000 tons of sugar, refined sugar-equivalent, coming into the United States duty-free.

The large subsidizers in the world are not going to suddenly eliminate their internal supports and subsidized exports. If the

United States wishes to maintain any sort of defensive support for its sugar industry in this environment, we must find a way to limit U.S. production of sugar cane and beets to levels that balance the supply with demand in our domestic market.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Lay can be found in the appendix on page 193.]

The CHAIRMAN. Thank you very much, Mr. Lay.

Mr. McLaughlin.

STATEMENT OF LINDSAY MCLAUGHLIN, LEGISLATIVE DIRECTOR, INTERNATIONAL LONGSHORE AND WAREHOUSE UNION, WASHINGTON, DC.

Mr. LINDSAY. Good morning, Chairman Lugar and members of the Agriculture Committee. It is an honor to be here today to represent the International Longshore and Warehouse Union, or the ILWU. The ILWU is the largest private sector labor union in the State of Hawaii. We represent longshore workers, hotel workers, general trades, and agricultural workers, and all of these workers are consolidated into one large local, ILWU Local 142. We also, by the way, represent about a hundred workers in Crockett, California, at the C&H Sugar Refinery there.

Mr. Chairman, ILWU members at the three remaining sugar operations on Hawaii asked me to present a petition for you which I have attached to my written testimony. These are hard-working decent citizens who live in constant fear that their livelihoods will be stripped from them. They believe, as I do, that without a sugar program, there is no hope for their industry in Hawaii.

Mr. Chairman, we are proud of what we have accomplished for sugar workers in Hawaii. During the 1950's, the sugar workers made great gains in their struggle for economic justice. The ILWU established an industry-wide medical program, sick leave, and paid vacation and holidays, all unique in the agriculture industry. The ILWU also won the first pension plan ever negotiated for agricultural workers in the United States and established the 40-hour work week for the first time ever in agriculture.

But the story of sugar workers in Hawaii in the last few decades has been one of just attempting to survive. The union and the workers have cooperated to combat chronic low prices for raw sugar with productivity gains. Periodically, throughout the last 20-years, the union members have agreed to accept little or no wage increases and flexibility of work rules, all in the name of keeping the Hawaiian sugar industry alive.

Despite these joint labor-management efforts to keep the Hawaiian industry alive, we have seen the shutdown of seven sugar companies in the last 9-years and the loss of 3,000 jobs. The president of Local 142 said this in 1995 about the death of sugar on his island, the Big Island of Hawaii, "Last year, my home on the Big Island of Hawaii, Hamakua Sugar Company and Hilo Coast Processing Company shut down because of low, declining sugar prices. The shutdown has caused devastating in my community, the likes of which I have never seen in my lifetime. Even the devastation caused by Hurricane Iniki could not rival what I have witnessed. Close to 1,200 workers lost their jobs. These jobs are not easily replaced, and most of the displaced workers have not found other employment. Their unemployment benefits either have been or are soon to be exhausted. They are finding themselves in desperate situations resulting in more stress in the home, increased substance abuse, and crime, and more incidence of domestic violence."

Recently, as Mr. Kennett said, 100 workers out of 450 at AMFAC Sugar Plantation were furloughed while the company assesses its future in the sugar operations. These employees are drawing unemployment insurance while they wait for a phone call that may never come to go back to work.

The State of Hawaii is very concerned about sugar leaving the Island of Kauai and say that it would be an enormous cost ranging from $4.7 million to $8 million for the first year alone. The direct and indirect impact of losing the sugar industry on Kauai would cause the unemployment rate on the island to skyrocket from 6-percent to 9-percent, then higher as indirect job losses occurred. There are no jobs for these people to transfer to.

Local 142 vice president, Bobby Girald, said, "All I see in the local newspaper in the Employment Section is part time, part time, part time. That is not good enough to take care of a family."

I wanted to let you know, Mr. Chairman, that our members are concerned that abandoning the U.S. sugar program would mean a certain loss of their jobs because they cannot compete with heavily subsidized European sugar or sugar that is produced by cheap labor. The ILWU has offered assistance and solidarity with struggling sugar workers and their unions in developing countries, but change is slow. An ILWU delegation to the Philippines found conditions to be very poor. Workers work long hours for little pay and begin work at a very young age.

According to the Department of Labor report, "By the Sweat and Toil of Children," which I am sure you have seen, young people are cutting cane at age 12, which is a very dangerous job. What kind of message does it send to American sugar workers who have struggled to achieve a decent standard of living that we will abandon them in favor of heavily subsidized European sugar or in favor of plantation owners in countries that rely on cheap oppressed labor?

We believe sugar is an area where the inclusion of labor standards and environmental standards in trade treaties could make a difference.

I see my time is up, but I just wanted to conclude by saying that our union is not the only union interested in this program. In the past, I have worked with the International Association of Machinists. They represent workers in the State of Florida. I have worked with the Food and Allied Service Trades Department of the AFL–CIO, the Grain Millers and the Distillery Workers. I appreciate your allowing me to testify today.

Thank you.

[The prepared statement of Mr. McLaughlin can be found in the appendix on page 198.]

The CHAIRMAN. Thank you, Mr. McLaughlin. Your testimony is very important from the perspective of the longshoreman and likewise Hawaii, as is the case with Mr. Kennett.

Professor Orden.

STATEMENT OF DAVID ORDEN, PROFESSOR, AGRICULTURAL AND APPLIED ECONOMICS, VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY, BLACKSBURG, VIRGINIA

Mr. ORDEN. Chairman Lugar, Senator Kerrey, and Senator Conrad, thank you for the opportunity to testify at this hearing.

I am David Orden, Professor of Agricultural and Applied Economics at Virginia Tech and an author of the recent book, “Policy Reform in American Agriculture.”

This morning, I am here to suggest several possible reforms to the sugar program. Sugar policy is at a crossroad at the turn of the millennium. The traditional form of program management has run out of room to operate. A new approach to sugar policy is required.

To achieve this new policy, we must look behind the two main options that have dominated past debate. The reforms that are required are steps that will do three things, allow greater market flexibility within the domestic market, retain the terms of our existing border measures and our international trade commitments, provide some direct support to producers.

Similar steps have been taken progressively for other field crops since the 1960’s, a period of almost 40-years. It will in fact take courage to apply these measures to sugar, but the time to do so has arrived.

My first observation is that current policies are out of room to operate, and I think there has been quite a bit of discussion and comment about this in previous testimony and the discussion about that testimony. This year, domestic supply has expanded compared to demand putting downward pressure on prices. The domestic policy has run out of room to operate. Farmers face enormous uncertainty in the market, and traditional policy instruments are indeed under stress.

One option for sugar policy is to attempt to hold the price level up through constraints on domestic supply. Stocks can be accumulated by the CCC, and if that is not enough, we can have a plowdown PIK or marketing allotments or acreage reductions can be re-legislated, but these are the types of Government storage and supply control measures that Congress has progressively abolished for other crops. They will be detrimental to the American sugar industry if they are now applied in this sector.

The alternative to current programs offered by critics of the sugar program is likewise ill-advised. To unilaterally eliminate all domestic support and simultaneously increase imports until U.S. prices fall to world price levels is too draconian a short-term shift from past rules.

Let me turn to the objectives of a direct payment policy broadly. There are five positive objectives. These are to free up prices to allow the domestic market to clear in response to supply-and-demand considerations; to avoid outdated interventions through Government involvement in purchases, forfeitures, stockholding which will necessarily then imply stock disposal or domestic marketing allocations; to reduce incentives for oversupply relative to demand, and this applies both to domestic producers and also to foreign producers who have access to the U.S. market under our existing international commitments; to provide adjustment compensation to farmers in the short run; and to create a sustainable long-run policy that eventually has more open trade and a reasonable safety net for producers.

Senator Kerrey, you asked for a balanced approach to future sugar policy and have pointed out the need for something different from what we have done, and these are the kinds of directions I am trying to point us.

Let me talk about two options. These are options for domestic policy reform that can be carried out within the context of current international commitments with no change in border measures. For this reason, they are not subject to the objection that domestic producers would be exposed to unfair competition from abroad. Moreover, they may help address the coming impasse over recourse versus non-recourse loans. I am surprised this morning there has not been more discussion of the difficulty the Secretary of Agriculture will have announcing non-recourse loans for next year after a PIK piledown has occurred this year.

The first direct payment approach would be implement marketing loans that would allow consumer prices to fall while providing a price guarantee to producers. It would lower domestic market prices when supplies are large. Sugar use would expand, helping bring supply and demand into balance. This change in policy would help restore market equilibrium in circumstances like this year.

The cost of a marketing loan program for each penny of payments per pound of sugar is around $180 million, assuming full participation, and because of the concentration in sugar production, the distribution would be skewed unless there are payment restrictions applied. Nonetheless, for each penny of taxpayer cost, more than that penny is saved by consumers, and this shift in support from consumers to taxpayers yields a net gain and distributional gains that have been mentioned by a previous speaker.

The introduction of marketing loans would provide support for domestic producers, but would reduce production incentives abroad. In particular, it would reduce the incentives for production in Mexico as they gain access to the U.S. market. Marketing loans would also ease the adjustment to future multilateral trade liberalization. Domestic producers would be assured of some compensation if as part of a general package of agricultural trade liberalization, increased sugar imports were agreed to by the United States. Thus, marketing loans achieve many of the objectives of a direct payments policy while providing a guaranteed price to producers and should appeal to producers for this reason.

Senator Lugar, if I can indulge in having one more minute, I would like to mention a second alternative in the direct payments arena. It may be impossible in fact to maintain through a marketing loan program current prices that American farmers, American sugar producers have been receiving and are expecting. If the principal market force putting downward pressure on prices is farmers' increasing ability to supply sugar when current loan rates set the price incentive for production, then a marketing loan program with current loan rates will prove expensive every year. An alternative to this approach is fixed direct payments based on historical production and lower loan rates. Under this approach, farmers would have a choice about whether to continue to produce sugar and would receive payments regardless, and production decisions would be market-based, with loan rates lowered below expected market prices.

These are not, as you were well aware, new policy instruments, but their application to sugar would be new. In a State like Nebraska, Senator Kerrey, where farmers are producing a variety of crops, it would bring, if you will, all of the agricultural policies that they face under one umbrella.

One option Congress could consider, and this is the last point that I will make, would be what I call a 25/50 proposal, to reduce loan rates by 25-percent and provide fixed compensation payments of 50-percent of the change in loan rate. Loan rates would be reduced from 18-cents to 13.5 for raw cane sugar and from 22.9 to 17.2 for refined sugar. Payments based on average U.S. production during 1997 and 1999 would have an estimated cost of around $450 million. If these compensation payments were made on an emergency basis next year, they could be reconsidered in the 2002 farm bill and either eliminated or converted to a more permanent basis.

Mr. Chairman, I am out of time. I will not reiterate the main points that I made except to say that it is possible and it is probably essential that we now do reformed domestic policy within the constraints of both our current border measures and our international commitments.

[The prepared statement of Mr. Orden can be found in the appendix on page 205.]

The CHAIRMAN. Thank you very much, Professor Orden. I appreciate the specific policy recommendations you have made which are amplified in your overall statement. This is, I think, a very important contribution as to how we meet the dilemmas that many have described today, and I think you have offered considerable balance by pointing out that in the past, the two polls of policy have been supply control. Then we plow it under and restrict farmers somehow or another to do the impossible, despite the fact that we try to stop imports. This country is not an armed fortress, and we found that to be a very difficult policy, quite apart from the fact that we have already trade obligations. We have signed treaties. Other people depend upon our word, and we are trying to negotiate greater openness, sometimes with great difficulty.

So the supply control situation does not appear to me to be a very promising one, and I would agree with you that simply to repeal the sugar program as a draconian step, it has all kinds of ramifications that are difficult, given the predicament that we are in, so what to do. You have suggested at least we might move in an incremental way recognizing that we already are paying a fairly heavy price as a society. We can argue whether USDA is paying it or American consumers or somebody, but you are suggesting that essentially a marketing loan business that finally affects supply and decisions, but at the same time some compensation to people who are in this transition may be a fair way to go, and then to try to see in the next farm bill where that led us, what sort of modifications we need to make to that, but that the current situation is basically unsustainable in large part, as you point out, however fudged the situation was with regard to expectations of imports this year, whether the Secretary waited 6 weeks beyond the proper time or found some fictitious level. That will be even harder to do next year, even if this committee is not watching or the rest of society omits any inspection.

As a result, we probably have to do something in the next year, but I appreciate your outlining these alternatives because I suspect that somewhere in that area, if we are to make any change, lies the potential solution, either optimistic or pessimistic about whether we will find a solution. It could very well be that this is such an intractable problem, people are so emotionally involved, that we do nothing, but that will lead to all sorts of things that each of you have described, and I think in a very articulate way. There will be a lot of pain for workers. There will be more mills shut down, a lot of farmers going out of business, all supposedly why we kept the thing propped up and it simply will not work for anybody's benefit that I can perceive, largely because we have a problem now in which we are producing much more than this country consumes and the world consumes and offering incentives to do more of the same. This is simply an unsustainable structure. It will collapse, if it is not already in process of disintegration.

I appreciate the focus each one of you have given. From the standpoint of management, Mr. Horvath has described very accurately the problems that are involved there. Certainly, there are differences between the beet sugar people and the cane people and even our programs that apply to that, and we have to be thoughtful about that, regional differences, the historical point of how we got there, but each one of you in your own way have made a very, very important niche contribution as well as an overall collective statement.

Senator Conrad.

Senator CONRAD. Thank you, Mr. Chairman. Thank you for holding this hearing, and thank you for the panels that we have had. It has certainly been a good discussion.

I want to especially welcome Jim Horvath of American Crystal Sugar, one of the outstanding citizens of my State. I think he did an exceptional job here defining the problem.

If I could, Mr. Chairman, I would like to take this back to the broader question of farm policy because I personally believe we have got to reconsider the direction that we have taken.

As I analyze it, as I diagnose it, we are in a circumstance in which our major competitors support their producers at a level ten times ours. That creates an unlevel playing field. That puts our producers at a substantial disadvantage, and the question is how do we respond.

We responded in the previous farm bill by what I call unilateral disarmament. We substantially cut our program on the theory that others would follow our good example. It did not work. It has been a disaster. That is why we have had to write three disaster bills in the last 3-years.

My own conclusion is the only way you lead to a more rational world agricultural policy is through negotiation, but the only way you get a result in negotiation is with leverage, and we have given up ours.

My own belief is that we have got to rearm in agriculture in order to go to the table to get a negotiated result that leads to a more rational outcome; in other words, build up to build down. It is exactly what worked in a military confrontation with what was then the Soviet Union. We built up in order to build down.

After being in Seattle, I am absolutely persuaded we are not going to get a rational response from the Europeans absent substantial leverage, and the only leverage that they will respect is if the United States reverses course and adds resources to agriculture so they can see that their long-term goal of world agricultural dominance is going to be disappointed. It is only in that context that I believe that we will be able to negotiate a rational world agricultural policy, and that is why I have introduced the FITE bill, farm income and trade equity, because I think we have got to say to the Europeans, we are going to take you on, we are going to meet you head to head, and then we are willing to negotiate to eliminate export subsidies and to try to fashion a strategy for world agriculture that is fair and one that is economically rational.

I thank the Chairman.

The CHAIRMAN. Senator Kerrey?

Senator KERREY. I, too, Mr. Chairman, want to thank you both for holding the hearings and for the witnesses coming forward.

I do think we have an urgent problem here that calls for action. As always, we have got to find areas where we can reach bipartisan agreement. I would hope that we could reach bipartisan agreement on the idea that when you sign an agreement with another Nation, they ought to honor that agreement, and Mexico is unquestionably circumventing that with actions that basically say, "I know you guys restructured your refining industries as a consequence of a shift to a different product from sugar to high fructose corn sweeteners. We do not want to do it. We are not going to do it. So we want to dump." We ought to at least hold their feet to the fire on that issue and communicate in a bipartisan way to President–Elect Fox that it is vital that Mexico lives up to that agreement. We ought to find ways to stand up to this circumvention that is occurring with stuffed molasses. That is a clear violation of an agreement. It is going to be very difficult for us to have much of an impact if we cannot find some bipartisan area where we can move, but also find some area that reinforces things that generally this committee has supported, which has been the advancement of free trade agreements and the use of free trade agreements to assist agriculture.

I asked Senate Breaux. NAFTA would not have passed—would not have passed the House of Representatives without that agreement, and you are not going to get trade negotiating authority. If you are looking for a reason why trade negotiating authority has not been provided at present, you have to look no further than that side agreement that has been dishonored. So it is vital that we do.

I would like to ask Mr. VanDriessche and perhaps Mr. Lay as well, because both of you have commented on this—and, Mr. Orden, I appreciate the constructive suggestions. I do not know in the short term if we are going to be able to act on those, but if you look at the existing farm program—and I would just like to get your comment on this—what we have got is a decoupled farm program payment that was signed in a 7-year contract in 1996. It was projected to cost $43 billion over 7-years. We are going to spend close to $35 billion just this year because we have modified the contract in 1998, 1999, and this year as well putting out additional AMTA payments. Indeed, I think it would be about $10 billion of AMTA payments this year.

The LDPs have been shockingly expensive, and by the way, Mr. Orden, one of the issues you have to examine on the marketing loan is look at what has happened with the current LDP program. We set the LDP very high for soybeans in order to get some additional support for Freedom to Farm, just as Freedom to Farm was enacted as a consequence of an agreement to bring on the Northeast Dairy Compact, which is not exactly Freedom to Farm.

What we see is about $3 billion now in soybean payments in LDP versus almost the same amount for corn. We may spent more on the LDP for soybeans than we do for corn. In both cases, what we have got is a situation, Mr. VanDriessche, that you described that essentially any processor can buy at much lower prices, and then the taxpayer comes in and picks up the differential with a direct payment out to the producer.

I am wondering if, relative to what we have in sugar, if either one of you see this as essentially corporate welfare. Do you see this as a payment that benefits the processors as well? Do you have ideas, either philosophically or specifically, because that is where Mr. Orden is going, to modify Freedom to Farm so that it could work for sugar growers as well?

Mr. VANDRIESSCHE. I would say because of the level that is paid on those AMTA payments, it actually sets a low level for those processors to be able to buy their commodity.

Essentially, it is more of a benefit to the users than it is to the farmer because really what it does for us it allows us just to survive. It is just enough of a payment where growers can continue to raise those particular commodities and——

Senator KERREY. Except for soybeans which we have said above the cost of production. You would have to look at soybeans as almost a special case because we have set that price higher, and we got a lot more acreage in it as a consequence.

Mr. VANDRIESSCHE. There is a result of that, that with the price of soybean support being where it is, there is more acres that has gone into soybeans. So I do agree with you on that.

Senator KERREY. Do you see ways to modify, either you or Mr. Lay, the existing Freedom to Farm Act, perhaps even in the short term, that would be of assistance to producers, to beet producers?

Mr. LAY. As I understand it, the AMTA allows a farmer to take acreage out of production and then put it back into production in some other crop, and I believe——

Senator KERREY. No. Actually, the AMTA payment is made—there is no acreage reduction program at all. The AMTA payment is made independent of what is being produced.

Mr. LAY. OK. Well, maybe if they are producing soybeans or cotton on land in Louisiana and they take that out of production and get AMTA payment and then put it into sugar cane, that is one of the—of course, Louisiana is one of the areas where production of sugar has just skyrocketed in the last 10-years, and it is going to continue.

Senator KERREY. That is what I am saying. I think the Freedom to Farm has had an impact. Both of you have asserted, and I think correctly so, that Freedom to Farm has had a negative impact upon the price of sugar——

Mr. LAY. Yes.

Senator KERREY.—and created part of this situation. So the question is whether or not some modification could be made. You can see this as a modification of Freedom to Farm since you are paying the consequence. You are paying the price for it that would be of assistance to producers.

Maybe you can think about that over lunch and come back to the Committee later.

Again, Mr. Chairman, I thank you very much for holding these hearings.

The CHAIRMAN. Thank you, Senator Kerrey.

Just picking up your thought, I suppose one of the anomalies of Freedom to Farm, as the witnesses have pointed out, farmers have the ability to plant whatever they want to plant on their farms, and that is one of the appealing aspects of that, to utilize their land and their resources that way, but as Mr. Lay has pointed out, if market signals indicate it is more profitable to plant sugar cane than cotton or rice or wheat or whatever, farmers will do that.

I suppose one of the arguments here could go either way. I suppose as the incentives to plant sugar now are sufficiently lucrative, given the program we have, that people would go in that direction. So this is increasing the oversupply, given both the freedom to do it. In the old days, you had to plant whatever you had there in order to keep the quota. So you went the corn route or wheat or cotton or rice. You did not have that option. Now, under Freedom to Farm, you can plant whatever you want to plant. So people plant sugar. Why? Because they do better with sugar.

But one of the consequences of this is, of course, an oversupply which our own program creates, just as the Senator has pointed out with soybeans. An anomaly of that program is the LDP for soybean, clearly out of line with corn. So the farmers have found that out, and they have planted more soybeans for a variety of reasons, but one of them is the LDP.

Each time, we jigger with the program, we create some unintended effects, as people find in a market system, and if they have the freedom to do so, where is the advantage?

I do not know how we stop that except, as Professor Orden pointed out, one way, of course, is supply control. You move the other way sharply, and you just simply plow it under or offer incentives to do that, such as giving people payment-in-kind, sugar, to plow it under, so that they will not produce more sugar.

But, as I think he points out correctly, we have been down that road from the time of the New Deal and killing of little pigs and plowing under of corn and so forth a good number of times, and it has some real problems in terms of both freedom for farmers as well as supply and demand which USDA has never been able to gauge particularly well.

So the marketing loan thing, as the Senator points out, has its problems in that however you set this marketing loan thing, maybe we will make a mistake, maybe as we did, with soybeans, sort of get it out of whack.

It is sort of hard when you are arbitrarily setting these things to find out really how the world works and where markets might wind up, but on the other hand, it is sort of a halfway home between the draconian step of scrapping the whole program and doing supply control and trying to figure out how much you plow under now, how much sugar you give somebody not to produce sugar, and figuring out how long that can be sustained in a world that is producing even more sugar all the time.

I think Senator Conrad makes a good point in terms of analogy to the cold war, and he often does this in our committee about unilateral disarmament and gearing up, but taken to its extreme, the Europeans arguably are going to spend from 65- to 75- or $80 billion to make their program work.

Even at the Senator's estimate of $30 billion for our program—that may be a little high, but maybe not too far off—we are still a long way from 75 or 80. Conceivably, the American people may say in order to beat the Europeans at this game, we are prepared to invest $50 billion more of taxpayer money in agriculture to show the Europeans what we think of them, but in the meanwhile, farmers in this country might pick up some market signals and produce a whole lot more. So we would say, "Well, you cannot do that. We are going to put supply control on you. We are going to put this money into the economy somehow to beat the Europeans, but we do not want to throw it out of whack altogether, the supply-and-demand situation, but a tough thing to do," even if you want to go head to head on these things.

I think we all are frustrated in this committee, I would share with you, with the fact that we are not making good headway in our exports. We were stymied in Europe. We still have a recession in Asia. We are unable hardly to even get a bilateral treaty with getting Chile into NAFTA. Even when the King of Jordan came over and said it is vital for peace in the Middle East to have a free trade agreement with him, even to move a bilateral one, with or without fast-track authority, this is a situation that is terrible, and it will not work, because otherwise we are going to produce more and we cannot send it anywhere, whether it is sugar or beans or corn.

Mr. VANDRIESSCHE. Mr. Chairman?

The CHAIRMAN. Yes.

Mr. VANDRIESSCHE. I wonder if I might have a minute to comment here.

The CHAIRMAN. Sure.

Mr. VANDRIESSCHE. I think we have to be careful that we do not compare sugar production with other commodities. For one thing, we do not have the flexibility that soybeans, corn, and other commodities do because we are tied to a processor.

As you know, I have stated I raise corn and soybeans and sugar beets, and as a matter of fact, I plant them all with the same drill, the same 12-row drill, but I have a lot more flexibility with those other commodities because, if I decide that one particular elevator or company or whatever does not work for me, I will go to another one. That is not the same with sugar. We are tied to a contract to a processor, and there are many elevators that I could take my product to.

With sugar, if we lose our processor, we are essentially out of business, and with some of the things that are being talked about here, we could very easily do that. We are at sustainment levels right now.

It is not one of these things you can get in and out of, as we talked about, "Well, if soybeans look good, we will get into soybeans. If corn looks good, we will get into corn," or whatever, but sugar beets is not the case that way. If we lose our processor, we are out of production with that particular crop.

Senator KERREY. Specifically, does that mean it is important for us, whatever we do in the short term, that we do not force USDA into having to go from non-recourse to recourse loans?

Mr. VANDRIESSCHE. We have to look at that. That is a very important point.

Senator KERREY. In other words, we do not force USDA into a policy option that would require them to shift from recourse to non-recourse because it is difficult to approach a processor unless you have got a non-recourse loan, isn't it?

Mr. VANDRIESSCHE. Correct.

We want to be very careful how we formulate this policy, and we want to look at the whole picture, not just at what production has done here in the United States because of all the other trade implications that come in along with that.

There was reference made that if we look at doing some type of things with sugar as we have done with the other commodities, is this going to be lucrative, are we going to have that much more in production, and is it lucrative right now. Well, I do not think it is lucrative right now when we have a number of factories that are closing, and as a matter of fact, I should not be sitting here right now. The person that should have been president of this organization called us at Christmas time. He was supposed to assume his responsibilities as of February 1st, and he had to let us know that he was going out of business.

He is a very sharp individual, a very promising young farmer that would have done a great justice for this organization, but he is out of business.

Senator KERREY. Mr. Chairman, do you mind if I put some additional detail on this?

The CHAIRMAN. No, go right ahead.

Senator KERREY. One of the things that I hear as well when I talk to, whether it is beet or corn or wheat or soybean, farmers in Nebraska is when they hear that we have got to increase quotas in sugar and we have got a lot more product into the United States, they immediately say, "Senator, understand that the structure of agriculture in Mexico or Brazil or one of these other countries is completely different than ours." You are not going to be shifting production to small-scale family farms in these countries. These are larger processors with much different environmental regulations and much different cost on the labor side as well. So they do not see a level playing field, and they certainly do not see the comparative advantage shifting over to something that necessarily is going to be viewed qualitatively as an improvement.

Mr. VANDRIESSCHE. Well, I think that is what is frustrating to us as growers when we talk about the import quotas that are here.

We have to work with them. They are part of our trade agreements. But let's face it. We are the third-largest importer of sugar in this world, and when we as growers are looking at what we need to do to solve our problems, we have to consider the fact that we are importing this much sugar and we are talking about the problem that we have and what we are doing as producers. It is very frustrating for us on the farm.

Senator KERREY. Mr. Chairman, I just want to say there will be some things that we have talked about today, some views where it is impossible for us to reach agreement in the short term, but my guess is you can find four or five things where you could get broad agreement from the Committee and I hope you do because, with your leadership, I think we could do some things that would be constructive.

The CHAIRMAN. This is what we will try to do. We are not going to have success on this policy any more than any other without broad bipartisan support which ultimately about all the Committee agrees, and when we have that, we have some success. Otherwise, we just have a discussion.

I just want to raise one more question because of the expertise here. In addition to the problems abroad, mention has been made of the high fructose syrup situation. If we were in a different forum, either privately or publicly, in the past many people who are corn producers or people representing that interest have been very much in favor of high sugar supports, however they came, with the thought that somehow that gave them some room to maneuver under that. So it has been an unusual alliance of what seemed to be a competitive source of sweetener, but in fact there was a partnership of effort.

That may still be the case, although it is less so, as I understand the current situation, but what about the fact that if sugar has been more expensive, apparently, to candy makers or cookie makers or what have you, they have gone another route to corn? That is a free market system and very possible. Therefore, how do we work that out internally in the country? Do you just observe that, that is the case? Clearly, if the demand for sugar declines because people are finding substitutes in terms of sweeteners, this is another facet of the problem, even while we are busy trying to maintain the cane or the sugar beet industries.

The corn people say, "We have an interest in this, too," as a matter of fact, competitive product, and a lot of the dispute with the Mexicans comes from the corn people in a way saying we have been frustrated altogether by the trade dodges that are occurring there in Mexico so they could go together with sugar people and all the rest of us. The Mexicans try to get relief.

Do any of you have any thoughts about this sort of sophisticated nuance of the problem?

Yes, Sir.

Mr. HORVATH. Yes, Mr. Chairman. I would like to comment on that.

I think the conversion that has occurred in the United States of converting from the use of sugar in many products to high fructose corn syrup started about 20-years ago, mainly in the soft drink industry, and has basically from our perspective been, more or less, complete. There continue to be minor changes, and the reason that there is not more, from my perspective, is that functionality differences exist between our two products.

I think that we have a situation where we probably will not see much continued conversion to high fructose corn syrup.

As far as the consumption of sugar itself is concerned, sugar consumption continues to rise in this country basically in relationship to the increase in population.

I have a couple other comments, Mr. Chairman, I would appreciate if I could make.

The CHAIRMAN. Yes.

Mr. HORVATH. On Senator Kerrey's comment concerning recourse loans, from my perspective, recourse loans for next year, any policy changes that would reflect a direction to go in that direction would be quite disastrous for this industry and could in fact start the process that Mr. VanDriessche talks about where you start to see more and more processors closing and, therefore, more and more of our folks on the farm going out of business.

Second, I think an important point relative to the profitability of sugar versus other crops, I do not think we are talking here about sugar making a lot of money. I will quote an article from the Minneapolis Star Tribune that reflected the fact that last year, the average Minnesota farmer made $47,000, and $48,000 of that 47 came from the Government. So we are looking at, for all other crops, basically our farmers are trading dollars while sugar provides a modest return and has for some time, but at today's prices, we are not seeing that in the sugar business either.

Half of my shareholders will be losing money in the next year based 'upon what we are seeing in the marketplace today. So this is really a significant change.

I have one more point, Mr. Chairman, if I may. Relative to the whole issue of the sugar industry's support about foreign trade, this industry has been united for many years in support of finding a level playing field as far as foreign trade is concerned for sugar, and we continue to support that. Recently, last week in fact, we sent a letter to Ambassador Barshefsky and Secretary Glickman reflecting our support of their recent statements as far as the direction of future trade talks as far as sugar is concerned. So we are very much supportive of finding that level of fair playing field for sugar in world trade.

I would ask, Mr. Chairman, if we could please submit that letter for the record.

The CHAIRMAN. Yes. We would be happy to enclose that in the record.

[The information referred to can be found in the appendix on page 216.]

Mr. HORVATH. Thank you, Mr. Chairman.

The CHAIRMAN. I think your point you have made there is an important one.

Let me just say with regard to the food processing or manufacturing side, the testimony we are getting from almost everybody in that area is they are not doing very well. Sometimes we have a byplay between producers and people from manufacturing with the assumption that one is doing well and the other is not, but, nevertheless, the people from the stock market come and point out that everything involving food is out of favor, which is very, very low ratings by the market as opposed to other things that Americans are doing. This is not a high-flying business in any aspect of it, which sort of gets to Mr. VanDriessche's point.

If people who are involved in the processing of the sugar go out of business, there is not a lot of flexibility for people who are growing it either. This is an interchangeable situation, or for workers who are employed by all of this.

Let me just ask as a technical point, though. We heard early on the fact that the non-recourse or recourse loan situation sort of recurs next year at this point of $1.25 million or what have you that was either fudged or ignored or somehow this year, but given the supply situation that we are discussing, it is very difficult to see how the Secretary is going to make a finding there. Unless there is a deliberate change in policy or some discussion of this, why, we are going to reach a crossroads in a few months, which all of you have pointed to, and that is one reason we are holding the hearing now as opposed to at that moment, so we all sort of understand.

Yes, Professor Orden.

Mr. ORDEN. If I could comment on that for just a minute, Chairman Lugar. I think you are right that it will be very difficult for the Secretary to in good faith announce under the current circumstances sufficient imports to have a non-recourse loan, and by the letter of the law, that then leaves the Secretary with a recourse loan which is a very serious problem for domestic producers.

One suggestion would in fact be to implement early next year a marketing loan program associated with that recourse loan so that there was some cushioning of the lower prices that might occur next year in the marketplace by some compensatory payments. I just wanted to point that out as an option because otherwise we are going to be in the same plow-down situation next year, and it looks like for some number of years in the future.

The CHAIRMAN. We thank each one of you for staying with this hearing. It has been, I think, an important hearing for the Committee, staff, and for the public, and you have made it so. We thank you for coming.

[The prepared statement of Senator Harkin can be found in the appendix on page 72.]

[The prepared statement of Senator Baucus can be found in the appendix on page 100.]

[The prepared statement of Senator Thomas can be found in the appendix on page 73.]

The CHAIRMAN. The hearing is adjourned.

[Whereupon, at 12:27 p.m., the Committee was adjourned.]

APPENDIX

July 26, 2000

Senate Agriculture, Nutrition and Forestry Committee

Chairman Dick Lugar, U.S. Senator for Indiana

Date: 7/26/00

U.S. Sen. Dick Lugar delivered the following statement today at a Senate Agriculture, Nutrition and Forestry Committee hearing to overview the federal sugar program:

Today, the Committee will hear testimony regarding the structure and status of the domestic sugar industry and the future role of the federal sugar program in the industry.

Events this year indicate that the sugar program is becoming increasingly unmanageable and that radical reforms are needed urgently. This spring, USDA offered to purchase 150,000 tons of sugar to stabilize prices and prevent sugar loan forfeitures. The Department spent $54 million to purchase 132,000 tons of sugar but the price increases in the sugar markets anticipated have not occurred. In its mid-session review of the federal budget, the Clinton Administration estimates that the sugar program will cost over $140 million this fiscal year for purchases and loan forfeitures. Proponents of the sugar program can no longer boast of the "no cost" aspect of the program. But this is just the beginning. The mid-session review projects that the current program will cost taxpayers over $1 billion and result in the accumulation of over 5 billion pounds of sugar in government inventory between now and 2005. We can no longer permit this program to continue on this indefensible path.

In announcing the offer to purchase sugar in May, Secretary Glickman stated, "Simply relying on continued government purchases over the longer term is neither feasible nor realistic." I strongly agree with the Secretary's assessment and hope that the witnesses will present alternatives to the present policies that have failed producers, sweetener users, consumers and taxpayers.

It is widely rumored that discussions are underway at the Department with segments of the industry to institute a "payment in kind"or PIK program for sugar in an attempt to reduce the supply of sugar. Such a program would be ill-conceived and would highlight the desperate nature of efforts to preserve the program at any cost.

Under our current international trade commitments, we must soon permit increasing imports of foreign sugar to enter the U.S. market. Obligations under the World Trade Organization and North American Free Trade Agreement, coupled with record-high domestic production projections will result in a sugar supply far in excess of demand. A long-term, viable and rational solution to the matter must be implemented in the very near future.

An additional perspective relates to the fact the Everglades are dying. The steady natural flow of water has been disrupted. Water that could be used to restore the natural environment is being flushed to the sea. Lack of adequate water storage results in discharges of polluted waters into Lake Okechobee and surrounding waterways and makes water management more difficult during storms and hurricanes.

In the 1996 Farm bill, this Committee supported the inclusion of $200 million to purchase lands in the

Everglades Agricultural Area to help in the process of restoring the Everglades. This was a thoroughly bipartisan effort and one which required the close cooperation of federal and state officials. Florida Governor Jeb Bush called the recent purchase of these lands the "linchpin of Everglades restoration."

We need to consider the option of making further purchases of lands from willing sellers in the Everglades Agricultural Area with the savings that might accrue from sugar policy reform. I believe that sugar policy reform can play an important role in Everglades restoration.

We have a large number of witnesses here today to present statements on the sugar industry and the sugar program. We welcome them and look forward to their testimony.

# # #

STATEMENT OF SENATOR TOM HARKIN
HEARING ON THE FEDERAL SUGAR PROGRAM
U.S. SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
July 26, 2000

Mr. Chairman, I would like to commend you for assembling this comprehensive array of witnesses for today's hearing on the federal sugar program. The testimony should create a thorough record for the Committee's future deliberations, especially regarding the next farm bill.

Few if any agricultural programs are entirely free from disagreement or controversy. So it is no surprise there are differing points of view on federal sugar policy. However, it should be noted that just six days ago the Senate voted by a two-to-one margin against an attempt to kill the sugar program. This is not a program Congress is eager to abandon or radically change.

Nevertheless, getting the pertinent facts and varying perspectives on the table is fundamental to our Committee's work. But it is essential we examine all the critical questions and considerations.

If the sugar program is a consumer rip-off, then why has the price of sugar dropped by over 30 percent in the past year, causing thousands of American farm families to suffer financially – and suffer badly? Why do American consumers pay less for sugar than consumers in nearly every other developed country?

What happens if we unilaterally dismantle our sugar program? We would invite a flood of heavily subsidized foreign sugar. Simply put, we would reward unfair trade practices by surrendering the U.S. sweetener market to imported sugar priced at less than half the cost of production. That would ruin our sugar farmers, devastate the 420,000 Americans employed in the sugar industry, and damage the corn sweetener market – thereby further depressing extremely low corn prices.

Lastly, does anyone seriously believe that food manufacturers would pass along to consumers any savings from using cheap foreign sugar? No, those savings would be added right onto the corporate bottom line. Look at the facts. As U.S. sugar prices fell dramatically in recent years, the prices of foods made with sugar kept right on rising.

To sum up, the sugar program was substantially reformed in the 1996 farm bill. Before we pursue further changes we must explore the issues and the consequences very carefully.

Thank you, Mr. Chairman.

CRAIG THOMAS
WYOMING

United States Senate

WASHINGTON, DC 20510-5003

Statement of Senator Craig Thomas

Senate Agriculture Committee
Oversight Hearing on the U.S. Sugar Program
July 26, 2000

Thank you Mr. Chairman and Members of the Committee for allowing me to testify today. This hearing is certainly timely given the recent attention on the Senate floor that was devoted to our U.S. sugar policy.

A sound sugar policy is critically important, as there are several factors at play which unfairly pit U.S. producers against the world market. In my home State of Wyoming, sugar beets are one of the largest cash crops and sugarbeet factories provide the economic base for three cities. Sugar production is a key component to Wyoming's economy.

Much of the criticism around the sugar program targets the prices consumers pay for sugar and sweetened products. Considering that U.S. sugar prices are 20% below the developed-country average, I fail to understand how that argument is relevant. Only two countries, Canada and Australia, have lower sugar prices than what we enjoy in the United States.

Unfortunately, there is another side of the story that rarely receives media attention -- what U.S. producers are paid for their product. Since the 1996 Farm Bill, the price of raw and wholesale refined sugar has dropped -- over the last year, prices have literally plummeted -- yet, retail prices do not reflect the market. Retail refined sugar prices have remained almost constant since 1990, but sweetened products such as cookies, candy and ice cream have risen by 7-9%. Once again, I fail to understand why attention is concentrated around what consumers pay for sugar. The argument is unbalanced.

U.S. producers are economically efficient, even when considering the labor and environmental standards that they must operate under. Out of 96 production areas world wide, the U.S. ranks 18th in cost of production and in sugarbeets. In fact, we are the world's least expensive sugar producer.

Mr. Chairman, until we resolve trade issues which highly influence U.S. prices, eliminating or phasing out the sugar program will only serve to further harm producers without helping producers. First, U.S. producers compete directly against foreign subsidies and because of these subsidies we have a world price for sugar that is a dumped market price -- roughly 8 cents per pound, far below the cost of production. Second, our Canadian neighbors have invented a product which circumvents import quotas. Stuffed molasses has no commercial value, but is being imported in massive quantities effectively displacing domestic sugar in its own market. Lastly, we are still grappling with the Mexican government challenging the authenticity of the sugar side letter to the North American Free Trade Agreement (NAFTA).

In closing, I would urge my fellow colleagues to focus on two issues during your oversight hearing: the lack of pass-through from retailers to consumers and the trade obstacles faced by sugar producers. Without considering both points during the discussion on U.S. sugar policy, I believe you miss the reasons why we need a sugar program.

Thank you again for allowing me to testify.

Testimony Before the Senate Committee On Agriculture, Nutrition, and Forestry
The Sugar Program
July 26, 2000

Senator Byron L. Dorgan

Mr. Chairman, I come today to speak in favor of the sugar program and to oppose those who are bound and determined to tear this program apart. I find it incredible that this push continues now, after the vote last week on the Agriculture Appropriations Bill, and especially at a time when our family farmers across the country are in the depths of an economic crisis.

Who are these people who want to destroy this program? Well, they call themselves the Coalition for Sugar Reform. Who or what is the Coalition for Sugar Reform? Let me list a few of the members: The American Bakers Association, the National Confectioners Association – they make candy, the Biscuit and Cracker Manufacturers Association, the Chocolate Manufacturers Association and the Independent Bakers Association.

Let's look at this group, this Coalition for Sugar Reform. They want to gain access to an imaginary endless supply of cheap world market sugar in order to pass savings onto the American consumer. Anyone who truly believes this must also believe in fairy tales.

I will talk about the mythical world market sugar price, and this yearn to pass savings onto consumers later. But first of all, I want to know this. How did this group manage to convince the Senate Agriculture Committee to hold hearings on this one part of farm policy?

I find it quite interesting that this Coalition for Sugar Reform is able to move the Senate Agriculture Committee to hold a hearing such as this. This Coalition has been able to carve out time to make their case in front of this Committee in a matter of a couple months. This is amazing, considering how this Committee has turned a deaf hear to the pleas of family farmers who have repeatedly asked for hearings on the failure of Freedom to Farm.

There is something terribly wrong with this picture. It is almost perverse. Consider the facts:

The raw commodities the Coalition for Sugar Reform members use to make their products – grains, oilseeds, dairy and sugar – have, in every circumstance, plummeted in value. Which means that the family farmers who grow these crops – the people who get up in the morning, do all the work, do the chores, spend the day in the field, harvest the crops, and take all the risks – have in every circumstance seen a substantial decline in what they get for their produce. Wheat, corn and soybean prices are less than half what they were 4 years ago; milk prices a little more than half of what they were a year ago; sugar prices down by a third.

Yet, those who grow the raw product – the family farmers – they can't get the Senate Agriculture Committee to hold a hearing about this obvious failure of the underlying farm program. Their pleas fall on deaf ears. This Committee ought to be working to straighten out our failed farm policy rather than holding a hearing about ways to tear apart the sugar program.

But here we are, talking about sugar policy, and completely ignoring the failure of the underlying farm policy. I find this truly amazing.

As indicated, the topic is sugar – not Freedom to Farm. I believe I have made it perfectly clear how I feel about this, so let's move on. First of all, let's talk about that world market price of sugar this Coalition for Sugar Reform wants to tap.

I want to make this perfectly clear. There is not free trade in sugar around the world. It is not the case that the price that is described as the world price for sugar represents a free trade price. The truth of the matter is that 75 percent of the world's sugar production is bought and sold on contracts between countries. These contracts are highly profitable, allowing the remaining excess sugar production to be dumped well below the cost of production on what is commonly called the world sugar market. The current price of this excess or dumped sugar is around 8 cents a pound.

No one can raise sugar for 8 cents a pound. No one. The average cost of producing sugar world-wide is 18 cents a pound. And yet this Coalition for Sugar Reform would have us believe that this cheap sugar would always be there, saving American consumers millions of dollars.

So, common sense tells us that the world price for sugar is not the world price for sugar at all. It's a myth which is perpetuated by those who would destroy this sugar program.

The second point I want to make about this is this notion that any commodity price decline is passed onto consumers by food manufacturers. Let's look at the facts. The fact of the matter is, the price of sugar has dropped 32 percent since Freedom to Farm was passed, to a 22-year low. Let me emphasize this point; the price of raw sugar available to the members of the Coalition for Sugar Reform has dropped by a third. These food processors already have the ability to lower the price of candy, soda, cookies, cake, and other bakery products.

Have they done so? No. In fact, just the opposite has occurred. Buy a candy bar today, and you will be paying, on average, 6% more than you did in 1996. Buy some cookies or cake, and you will be charged 7% more. Ice Cream; buy some ice cream, and on average the prices are up 9%.

If the food processing members of the Coalition for Sugar Reform were so intent on passing savings onto consumers, why are the prices paid for these products going up? Like I said, sugar is down 32%. Why haven't they passed the savings along? Even a bag of raw sugar hasn't gone down, yet, the cost for the processor to purchase the raw sugar has gone down by a third.

This is inexcusable. Farmers are being fleeced, and so are consumers. The Senate Agriculture Committee ought to investigate this price gouging, before they look into dismantling the sugar program.

The Senate Agriculture Committee should also examine our trade agreements – for all of agriculture. But since this hearing is about the sugar program, let's look at the inexcusable sugar trade agreements our family farmers must contend with.

Our farmers were not well served by what happened in the Uruguay Round of the General Agreement on Tariffs and Trade, now known as the World Trade Organization. When the smoke cleared, sugar farmers in this country were shocked to find out that this agreement completely ignored the high price supports and massive export subsidies their competing counterpoints in the European Union were able to sustain.

The EU is the world's largest producer of sugar, and likewise is the largest exporter of subsidized sugar. And because the GAAT agreement allowed it, the EU support price for sugar is 40% higher than the loan level in the United States. This high subsidy fosters the overproduction – the amount of sugar not under contract – which floods the world with sugar and is the driving force behind the so-called world market price of sugar, or dump price, which I mentioned earlier.

Our producers of sugar are the most efficient in the world. The family farmers in North Dakota who produce beet sugar are second to none in efficiency. But, because of lopsided trade agreements against them, they compete on a playing field tilted against them. This Committee needs to understand that without the sugar program, the current trade agreements would allow our competitors to destroy our ability to produce sugar here in the United States. Is this what this country wants? I think not.

We only have to look at the past to see what happens when there is no U. S. sugar policy in place. Twice – once in the early 70's and another time in the early 80's – the sugar program was suspended. Prices went through the roof, and then fell through the basement. They ranged from more that 60 cents a pound in 1974 – to 40 cents a pound in 1980 – to less than 3 cents a pound in 1985. Consumers were gouged as the prices rose; farmers were hurt when the prices plummeted.

We should be able to learn from our mistakes. Gutting our sugar program would threaten the stable supply of sugar currently available to U. S. consumers. Consumers and family farmers alike need this policy kept in place.

We should also take a close look at the North American Free Trade Agreement. NAFTA has been a complete disaster for Agriculture, and particularly for sugar farmers. The ink was barely dry on the agreement when Mexico started pumping money into their sugar production. They pumped over $2 billion into producing sugar, transforming themselves from a net importer of sugar prior to adoption of NAFTA, to a net exporter of sugar.

In NAFTA, Mexico secured an agreement with the United States which allowed imports into this country of 25,000 metric tons a year. However, starting in FY2001, the cap expands the tariff quota to 250,000 tons a year.

We are currently in negotiations with Mexico over the NAFTA "side letter" on sugar, focusing on this expansion of the tariff quota and their use of massive subsidies to expand sugar production. The Senate Agriculture Committee should insist that Mexico's blatant move into subsidized sugar production after the adoption of NAFTA be addressed in these negotiations. If the U. S. does not forcefully deal with this issue, we risk sending a signal to our competitors around the world that we will allow foreign subsidized agriculture to completely destroy our farm infrastructure.

There is one final thing concerning trade that the Senate Agriculture Committee needs to investigate. There needs to be a full examination as to why molasses stuffed with sugar is still being allowed into this country. This practice is a blatant circumvention of our tariff quota. This molasses is being used for the sole purpose of smuggling excess sugar into the United States – its sole use is that of a pack mule.

The molasses in question is stuffed with South American sugar in Canada, and then transported into the United States. The sugar is then spun out of this concoction and sold illegally in this country while the molasses is sent right back across the border to be stuffed with more sugar – to start the smuggling cycle over again. This is an audacious circumvention of our trade laws.

In closing, let me say this. The sugar program has not worked as well in recent months and years as it has in the past. One reason, in my judgment, is because the current underlying farm program has failed. As prices have collapsed for most other commodities, and as we have pulled the rug out from under producers with a farm program called Freedom to Farm, we have had more acreage put into sugar production in this country.

And on the note of acreage increases, I also should remind this Committee that during the debate prior to the adoption of Freedom to Farm, the sugar growers lobbied hard to keep their marketing allotments. But this Congress did not listen to them, and the allotments were taken away.

The other reason for the sugar program problems is the atrocious trade agreements our family farmers are forced to contend with.

Some final points to consider:

We, in the United States, have the highest environmental and labor standards in the world, yet we still rank as one of the lowest cost producers of sugar, when cane and beet production is averaged.

The sugar industry has a $26 billion impact on the U. S. economy and supports 420,000 jobs in 42 states.

Sugar producers have not been a burden on the U. S. treasury. Producers were slapped with a market assessment tax of $5 per ton to help reduce the federal deficit from 1991 to 1999, adding about $279 million to this country's bottom line. Because of the current budget surplus, the market assessment has been suspended for FY2000 and FY2001.

In light of all of this, I respectfully ask that the Senate Agriculture Committee search for ways to improve our trade policy as it pertains to sugar imports, and also search for ways to strengthen the sugar program, rather than tear it down.

Senator Byron Dorgan

TESTIMONY OF
U.S. SENATOR JOHN BREAUX
SUBMITTED TO
THE SENATE COMMITTEE ON AGRICULTURE,
NUTRITION & FORESTRY'S
HEARING ON THE FEDERAL SUGAR PROGRAM
JULY 26, 2000

MR. CHAIRMAN, thank you for calling today's hearing. Thank you, too, for the opportunity to testify.

If we are here today to focus only on sugar and to determine whether we need a sugar program, then the answer is simple and straightforward, yes. As a nation, we need a sugar program, just as we need programs for other commodities.

Our policy and program should be fair and reasonable and provide stability.

Overall, the sugar program serves the nation and its consumers well. On behalf of Louisiana's sugar industry, including its nearly 700 growers, its 18 mills, its nearly 32,000 industry-supported jobs and its estimated direct economic value of more than $2.0 billion, I proudly and strongly support the sugar program.

If we are here today to learn how the sugar program operates, then that, too, is a simple, straightforward answer. The sugar program for cane and beet growers is a commodity loan program. Commodity loans also are authorized for cotton, rice, wheat and feed grains.

Please let me repeat that our national farm policy for sugar is to have an authorized commodity loan program--that's all--nothing more. The sugar program has no AMTA payments.

As part of the sugar loan policy, Congress has legislated an 18 cent loan rate and has held the rate steady at 18 cents since 1985.

Like other commodities, cane and beet growers may borrow from the government at harvest, sell their crop in the market to pay back the loan or, if market prices are too low, forfeit the crop as loan payment. This is known as a non-recourse loan.

But, policy changes in the 1996 farm act brought new features to the sugar loan program which are not imposed on other commodities. These features include a one-cent reduction in the loan rate if sugar put under loan is forfeited. Also, if sugar imports fall below the 1.5 million ton level, then forfeiture is not an option and the loan must be repaid in full in dollars, regardless of the market price, plus interest and administrative costs. The non-forfeiture program is known as a recourse loan.

Under another policy and a prior administrative action, there is in effect a tariff rate quota for raw sugar imports which has been in effect for many years. Some 40 nations participate in the program. This TRQ policy and practice is GATT legal. In addition, we have under GATT a 1.256 million ton minimum raw sugar import quota.

If we are here today to determine whether the sugar industry contributes to the economy, then the answer is simple and straightforward, yes. The industry has an estimated annual national economic impact of $26 billion and it also provides some 420,000 direct and indirect jobs in 42 states.

As important, the industry has paid $280 million to the federal treasury from 1991 to 1999 as part of a budget deficit assessment on growers. With the treasury now in a surplus position, the assessment has been suspended, and fairly so, for Fiscal Years 2000 and 2001.

If we are here today to determine whether elimination of the sugar program or a reduction in its loan rate will benefit consumers, then the answer is simple and straightforward, no.

It is a flawed hypothesis to think that elimination of the sugar program or a reduction in its loan rate will benefit the consumer. Such thinking must never be the basis for developing our national policy.

Why will consumers not benefit? Recent history, over the past year, answers the question. Over the past year cane and beet prices have dropped by about 25 percent and 30 percent respectively. Have prices for candy, cookies and cakes, cereal and ice cream fallen that much in the past year?

Furthermore, look at what has happened to prices since passage of the 1996 farm act. Let's look at the chart which I have brought, which is based on USDA estimates. The prices on it compare, since passage of the 1996 farm act, the price for raw cane sugar and the wholesale refined beet sugar price with those for candy, cookies and cakes, cereal, ice cream, and the retail price for a pound of refined sugar.

Raw cane sugar prices have fallen 14.6 percent and the beet price has dropped by almost 32 percent since passage of the 1996 act.

But, look at where consumer prices for sugar and sugar-containing products have headed since passage of the 1996 act–nowhere but up:

--- the retail price for a pound of refined sugar, up one half of one percent.

---candy, up by 6.4 percent;

---cookies and cakes, up by 6.6 percent;

---cereal, up by 8.3 percent;

---ice cream, up by 9.8 percent;

Look at these increases and, at the same time, recall that the past year's price history has shown that consumer prices for sugar containing products still haven't dropped by the corresponding amounts that raw sugar and wholesale refined beet prices have dropped nor is it likely that they would they drop by those amounts.

We do know that if we eliminate the sugar program or reduce the loan rate, then we will put family farm operations out of business, that their local economies will be hurt and that the allied industries which serve them will be hurt. That much we do know.

If we are here today to determine if cane and beet growers need relief from the market losses which they've been experiencing over the past year, then the answer is simple and straightforward, yes.

Cane and beet growers are experiencing market price declines like other commodity growers. They, too, need relief from these market losses and are deserving of it.

Congress has approved the release of some $22 billion for market loss payments and disaster losses for other commodities, which I have strongly supported. But the sugar program per se is not eligible for market loss payments because the sugar program is a loan program only and is not authorized for AMTA payments.

To assist growers, I have joined with a number of other Senators to urge USDA and OMB to purchase sugar from the market, as USDA has the authority to do and which it has done for other commodities.

As we know, USDA announced the purchase of 132,000 tons of sugar to try to assist growers, but that has not been sufficient. More help is needed because prices continue to decline.

The price situation is very serious, having persisted for a year, with no indication of any significant reversal in the near future.

I will continue to work with other Senators from cane and beet states to urge USDA and OMB to use authorities available to them from Congress to halt the price decline and restore price stability

In addition, I and other Senators are committed to legislating an end to the practice of exporting sugar into the United States in the form of stuffed molasses. This product has no commercial purpose in the form in which it is shipped. It is nothing more than a business deception which avoids our nation's tariff rate quota by a scheme analogous to bait and switch. The tariff rate quota should apply to this type of product.

By mixing molasses and water together, bringing it into the United States, then spinning out the sugar from that product, the GATT-legal tariff rate quota is circumvented. More sugar is added to the domestic supply, contributing to the decline in prices to growers.

Consumers, of course, do not benefit from the blatant violation of the U.S. quota, but our family farmers definitely are hurt by it.

With regard to legislation, Congress has cast two strong votes in the past two years to table appropriations floor amendments which would have withheld funding to operate the sugar program. The amendments were tabled by votes of 65 to 32, last week, and by 66 to 33, in August 1999. Those votes are much, much appreciated by all of us who represent cane and beet states.

MR. CHAIRMAN, the United States needs a domestic sugar industry. There is no question about it. We must not let our cane and beet industry disappear or become so weak as to be ineffective. We know from history that consumers won't benefit from such a calamity, but growers, their families, their communities and the allied industries which serve them will suffer severely.

That's why we need the domestic sugar loan program and that's why relief is needed at this time for the industry. There's no question about it. That's why we also must use Congressionally-authorized administrative programs to restore and maintain price stability.

Stability must be the bedrock of U.S. farm programs and policy, especially at this juncture when market losses and natural disasters are crippling growers. Stability is the key for growers, for consumers and for the economy. Farm families, their communities and their service industries depend on that stability.

I urge the Committee to listen to growers and to the conditions which they are experiencing. Please be responsive to them and support them with a fair, reasonable policy which maintains stability.

Thank you, MR. CHAIRMAN, and members of the Committee for holding today's hearing and for allowing me to testify. This concludes my testimony.

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TESTIMONY BY CONGRESSWOMAN PATSY T. MINK
Senate Agriculture Committee
Hearing on U.S. Sugar Policy

July 26, 2000

Thank you, Mr. Chairman, for the opportunity to present testimony on a topic of enormous importance to my district, to the State of Hawaii, and to this nation's rural economy.

I would like to focus my remarks on two subjects: First, the severity of the crisis facing American sugar growers. Second, the flawed General Accounting Office Report on U.S. sugar policy.

U.S. raw cane sugar prices have plunged from 22.6 cents per pound last July to less than 17 cents per pound this month. This is the lowest level we have seen in nearly 20 years—since 1981 when there was no U.S. sugar policy.

Because of flat producer prices since 1985 and rising sugar production costs, Hawaii's sugar industry has shrunk in the past 10 years from 12 sugar companies to just three. An industry that used to be one of Hawaii's largest and was a major employer on four islands is now present on only two islands—Kauai and Maui.

One plantation on Kauai closed earlier this year; another announced two weeks ago that it will close next year. These plantations had been operating for nearly a hundred years.

The loss of 10 plantations in my district represents an economic, social, and environmental disaster for my district and my state.

One might think that these agricultural jobs lost are being readily absorbed by the tourism and other industries, but, sadly, this has not been the case. It is a difficult job transition to make. Most of the jobs are considered heavy equipment and industrial type work, not easily converted to hotel-restaurant work.

For example, on the Big Island of Hawaii, formerly the biggest sugar-producing island, most of the former cane land is idle and many former cane workers are still unemployed. And erosion of the formerly lush, irrigated cane lands is causing dust storms where there once were clear skies and green fields wherever the eye could see.

Hawaii's remaining producers continue to achieve the highest yields of sugar produced per acre, and per worker, in the entire world. And they do this while adhering to some of the world's highest standards, and highest costs, for worker wages, benefits, safety and protection, and for air and water quality.

Contrast the sugar produced in Hawaii and on other American farms with the sugar produced on the world dump market, which is dominated by generously subsidized European sugar and by sugar from developing countries with deplorably low standards for workers and the environment. Brazil, for example, the world's biggest sugar exporter, still allows tens of thousands of children to toil in its cane fields.

This Committee will probably hear repeatedly today about a General Accounting Office report on sugar policy.

In 1993 the GAO issued a fundamentally flawed report on U.S. sugar policy. At my request, the U.S. Department of Agriculture reviewed the 1993 report; they found multiple errors in facts and methodology and have condemned the report on numerous occasions.

In June 2000, the GAO updated the 1993 report. It repeats the same flawed analysis.

This time, at the insistence of myself and a large number of my House colleagues, comments by USDA and by the U.S. sugar industry were included in the back of the final report.

Career analysts at the U.S. Department of Agriculture in their 11-page criticism, beginning on page 55, said the report "suffers in a number of regards relative to both the analytical approach and . . . the resulting conclusions." USDA concluded: "GAO has not attempted to realistically model the U.S. sugar industry. The validity of these results are, therefore, suspect and should not be quoted authoritatively."

USDA explained: "First, the cost/benefit evaluation methodology . . . is not adequately developed or justified (and key omissions) obscure or distort the meaning and significance of the results. Second, the report provides poor to non-existent documentation of the economic model used in the analysis. The model description is confused and provides no basis for possible replication or validation. Third, there are a number of inconsistencies between the results presented and the modeling description or alternative data sources that undermine confidence in the results."

The U.S. sugar industry experts also blasted the report. A 16-page criticism submitted by the American Sugar Alliance, beginning on page 78, concluded: "The methodological underpinnings of the GAO study are so fundamentally flawed, the tone is so biased, and the errors, omissions, misrepresentations, and contradictions are so numerous, that the study should be scrapped and redone."

The experts at USDA and ASA agreed on the two most fundamental flaws of the GAO report:

- **The GAO bases its findings on a comparison of U.S. producer prices with prices on the meaningless world dump market for sugar.**

  In fact: The so-called "world market" for sugar is just a dumping ground for surplus sugar from countries that subsidize sugar production and exports. World dump market prices have averaged less than half the world average cost of producing sugar for most of the past two decades.

  In fact: A straightforward assessment of the cost or benefit of U.S. sugar policy to American consumers can be obtained by comparing the actual prices paid by consumers here and abroad: (1) U.S. retail sugar prices are 20% lower than the average of other developed countries. American consumers save $2 billion per year on their sugar purchases compared with what they would pay at the developed-country average retail price. (2) In terms of minutes of work required to buy one pound of sugar, the U.S. is third lowest in the world. Sugar is more affordable only in Switzerland and Singapore.

- **The GAO assumes food manufacturers and retailers would pass 100% of their savings from lower producer prices for sugar to along to consumers.**

  In fact: History unequivocally shows the food manufacturers and retailers pass no savings along to consumers when the price they pay producers for their sugar drops. From 1990 to 1999, the wholesale producer price for sugar dropped by 11%, but retail sugar prices rose 1% and sweetened product prices—for items such as cereal, candy, ice cream, cookies, and cakes—rose. Since the 1996 Farm Bill began, wholesale refined sugar prices are down more than a third, but the retail refined sugar price has risen, not fallen, and sweetened-product prices are up 6%-10%.

There are numerous other errors, flaws, and omissions in the GAO report. The following are just a few.

- Policy revenues ignored. GAO refused to factor into their calculations the taxpayer benefit from $279 million in revenues from sugar marketing assessments collected during 1991-1999.

- Relative consumer prices ignored. GAO failed to report that U.S. retail sugar prices are stable, well below the developed-country average, and about the most affordable in the world.

In conclusion, Mr. Chairman, the U.S. sugar industry has provided high quality sugar at low, stable prices and has paid nearly $300 million to the U.S. Treasury during the 1990s.

With producer prices at 20-year lows, sugar farmers need help. They deserve our help, just as we have helped other farmers in crisis.

In FY1999 alone, net outlays by USDA's Commodity Credit Corporation for both regular and emergency farm support was $6.2 billion for feed grains, $3.4 billion for wheat, $1.9 billion for cotton, $1.3 billion for soybeans, $911 million for rice, $480 million for dairy, and $113 million for tobacco. Outlays for these commodities will be far higher in FY2000.

In 1999, sugar producers paid $51 million in marketing assessments and received no support payments or emergency aid.

The Congressional Research Service has provided me with a list of states ranked by emergency farm assistance received in FY2000. My state of Hawaii was right at the bottom—with only $500,000 in assistance. Farmers in both Texas and Iowa received more than $1 billion in emergency farm assistance.

There is probably no part of the country more vulnerable to the sugar price crisis than Hawaii, but the problem is national. Growers in 16 states are in serious trouble.

Thank you for the opportunity to testify.

DAN MILLER
13TH DISTRICT, FLORIDA

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Testimony of U.S. Representative Dan Miller Before Senate Agriculture Committee on U.S. Sugar Program

July 26, 2000

Chairman Lugar and Distinguished Senators,

Thank you for allowing me to testify about the important issues underlying federal sugar reform. It is important that this issue be dealt with in a bicameral fashion and I appreciate your willingness to hear from this House member's perspective.

Why would someone from Florida be opposed to the sugar program you may ask? I am because it is bad for the environment, bad for taxpayers, bad for trade and bad for America. It is especially bad for Florida.

I can summarize the pro Big Sugar arguments about proposed changes to the sugar program; "Don't change a thing. We love it the way it is. Socialism is a good thing!" This is a shame. This socialist modeled program harms many more people than it helps. Capitalism won. Socialism lost. Eventually, we will have capitalism in sugar again, it is just up to Congress to decide whether to do it now or later.

I am here today to discuss the sweet deal that sugar producers are receiving under the sugar daddy of corporate welfare; the U.S. sugar program. Contrary to what the big sugar producers may tell you, the sugar program was not really reformed in the 1996 Farm bill. While other farm commodities will gradually experience a phase-out of price supports, big sugar producers will continue to reap the benefits of this corporate welfare program.

I recognize that during Freedom to Farm debate I fell 5 votes short in our efforts to reform this socialist modeled price support system, however, all the predictions we made in the debate back then have come true and defenders of the sugar program are just wrong.

Through price supports, the sugar program keeps the price of sugar in the United States artificially high. By tightly limiting the amount of sugar that may be imported into the United

States, and subsidizing the operations of sugar producers through federal loans, the sugar program forces the price of domestic sugar to be at least twice as high as the price of sugar on the world market.

While this is a sweet deal for sugar producers, it leaves a sour taste in the mouths of taxpayers, consumers, American workers, and the environment. GAO estimates that the sugar program costs consumers more than $1.9 billion every year.

Jobs for American workers have been eliminated because of sugar refineries that have been forced to shut down and because of companies relocating overseas where sugar is cheaper. The environment is damaged by sugar production in Florida. The subsidized production of sugar in Florida results in phosphorous-laden run-off flowing into the Everglades, which contributes to the destruction of this fragile ecosystem. Amazingly, the Federal Government continues to subsidize sugar producers, even as Congress participates in a multi-billion dollar project to repair the damage done to the Everglades.

Further, the sugar program harms our position with foreign governments when negotiating trade agreements. Much of the financial hardship being experienced by our nation's farmers is due to contraction of overseas markets for U.S. agricultural exports. We need to work to open the markets in foreign nations. It is hypocritical and counterproductive for the United States to protect the sugar industry while urging other countries to reduce their trade barriers. Quite simply, our negotiators must decide whether it is more important to preserve an outdated sugar program than to open markets for competitive American farm products.

For the past several Congresses I have introduced amendments to the Agriculture Appropriations Bill as well as stand alone legislation to reform the Federal sugar program. This Congress I introduced H.R. 1850 with Congressman George Miller (D-CA). This Miller-Miller bill currently has 72 bi-partisan co-sponsors. H.R. 1850 has the support of national taxpayer, consumer, and environmental advocacy groups united in their opposition to our silly sugar program.

More recently, the USDA announced it would purchase at least $54 million in sugar (not under loan). Reports mention that all sugar under loan may be forfeited to the government costing taxpayers up to $500 million. Yet despite this, supporters of Big Sugar will say that this program does not cost anything. Amazing.

I would like to further examine the effect of the US Sugar program as this program hurts the environment; our effort to knock down foreign trade barriers; and American taxpayers, workers and consumers.

Costs to Consumers/Taxpayers

The GAO has recently estimated that the present sugar program costs over $1.9 billion per year in higher prices for table sugar and food. Not only do higher costs affect the prices paid at the cash register, they affect the taxpayer in the costs of government. Higher food costs mean higher entitlement spending under Food Stamps or other government programs such as school lunches and Meals on Wheels. It is a regressive form of corporate welfare benefitting a select few producers while making every consumer pay more at the cash register to justify this program. The U.S. Department of Commerce has noted that the ``effect of the sugar program is similar to a regressive sales tax, which hits lower-income families harder than upper income families." If you support regressive taxation, then I guess you have no problem with the U.S. sugar program. If you do not favor taxing the poor more heavily, however, you should favor changes in our sugar policies.

As a result of the recent GAO study, Big Sugar has tried to "attack the messenger" by attacking the GAO report. They claim that "even the USDA" attacks the GAO report. These attacks fail to mention the critically important fact that before GAO did this report, they tried to get USDA to help achieve a consensus economic model. However, USDA failed to help or even comment on this proposed study and has only now taken cowardly pot shots at the GAO report <u>after</u> it has been finalized. Nevertheless, anticipating the political inaction at the USDA, the GAO report represents an impressive collaborative effort with many noted economic modeling experts consulted throughout the study. The attack the GAO efforts of Big Sugar are an attempt to distract from the findings of this report that the US sugar program costs US consumers an extra $1.9 billion per year.

Much of the debate on sugar in Congress has claimed that this program has no taxpayer costs. Well, the recent USDA purchase of $54 million with plans of buying at least $140 million this year and possibly up to $500 million have shredded this argument. Low income US taxpayers in New York City or Indianapolis are paying to bail out big sugar barons such as the Fanjuls. The USDA is like a drug dealer enabling the sugar industry to ignore its problems.

USDA's purchase of surplus sugar is like rearranging deck chairs on the Titanic, it does nothing to address the fundamental flaws in the failed U.S. sugar program. A corporate welfare program which already costs consumers $2.2 Billion per year in hidden costs will now cost taxpayers $60 million up front. This was exactly the course of action that I cautioned the Administration against taking. Providing the sugar industry with this sickly sweet taxpayer bailout will not stop loan defaults, but the bailout will encourage further overproduction of sugar and may do nothing to affect prices. It is a short term action with long term consequences.

It was unfortunate that USDA gave in to industry pressure instead of following the law that sugar producers themselves designed. I had previously urged Agriculture Secretary Glickman to let the law work as intended and accept the loan defaults and forfeitures that would occur. I was pleased that Secretary Glickman had both recognized the need for reform of the sugar program and warned the industry not to rely on further government bailouts. But actions speak louder than words, and USDA had an opportunity to send a signal to the sugar industry that its free ride was over by <u>not</u> purchasing this sugar. The reforms the Secretary mentions such as stopping overproduction are merely symptoms of a failed program that is now costing consumers billions and taxpayers millions. I fear this sugar purchase has put us on the slippery slope to even larger taxpayer financed bailouts.

However, despite this recent direct taxpayer costs, the pro sugar side is "moving the target" again. Instead of "not costing the taxpayers a penny" as they have claimed in the past, they now say, sugar growers have given million to eliminating the deficit. Therefore, even with the recent $54 million purchase, the taxpayers still "owe" big Sugar for "contributing" roughly $250 million towards getting rid of the debt. I do not recall any speech to the American people where President Clinton claimed the sugar assessment as the reason why we do not have a budget deficit anymore. Nevertheless, in an exercise of raw political power, Big Sugar got rid of this assessment last year in the FY00 Agricultural Appropriations bill.

ENVIRONMENT

If you listen to Big Sugar, they will almost seem to imply to say that sugar cane farming is better for the Everglades than the natural state. There have been numerous studies that prove that sugar production in the Everglades area has had a very detrimental effect on its health. The increased farming in the area has produced tremendous phosphorous runoff as well as runoff from pesticides and wastewater. Cattails and other indicators of non-pristine water have greatly increased in the area because of it.

The *Tampa Tribune* noted that "fish in the River of Grass are so packed with poison that state health officials warn people against eating them." This runoff has affected Lake Okechobee and harmed water quality and fishing there as well. Less clean water and fish mean less tourists and less jobs.

Our sugar program has caused this problem. Rather than having idle "swamp" land, it has been converted into sugar cane fields. More and more acres are being farmed for sugar cane producing more stress on the ecosystem. The recent GAO reports shows that the acres under loan from the sugar program have greatly increased from 56,000 short tons in 1997 to 470,000 short tons in 1999. As such, our sugar program is the culprit in this production in this environmentally sensitive area. It has instituted this farming in this ecologically sensitive location.

Because of the non recourse nature of the sugar program loans, a land rush to turn "swamp" into cane exists. You can not lose sugar cane farming and if prices are bad it is Uncle Sam's problem. The sugar program is the lure to attract folks to developing the Everglades.

The Senate has shown leadership by starting to move the multi billion Everglades Restoration project and I support it. However, I cannot help but note that the sugar subsidy is increasing the costs of this important restoration. Part of the multi billion effort to restore the Everglades will involve buying land. The US government will not be buying what we often think of as "swampland". They will be buying land that receives a huge government subsidy so we would have to pay extra. Cutting the subsidy would be a more efficient way to do this and remove the incentive for sugar production in the area.

TRADE

Much of the financial hardship being experienced by our nation's farmers is due to contraction of overseas markets for U.S. agricultural exports. What I want to stress to you today is the importance of having the United States Trade Representative enter into trade talks around the world with "clean hands" in order to change that troublesome trend. Ostensibly, trade talks are an opportunity to knock down barriers to trades and allow American industry a greater opportunity to export into other countries. This would result in greater incomes for U.S. farmers and businesses. The sugar program undermines our trade objectives and is colliding with efforts to help small farmers.

Trade talks are the best opportunity to be pro-U.S. farmer if we have the courage to knock down barriers. If every country is allowed to exempt politically well connected commodities from trade negotiations by taking them off the table before they enter the room, then there can be no progress on free trade. For example, if the United States continues to knock out foreign sugar, then Canada can justify kicking out United States dairy and Europe can knock out US oilseed crops, and so on. The agriculture community must not allow this protectionist and wasteful cycle to continue. Quite simply, our negotiators must decide whether it is more important to preserve an outdated sugar program than to open markets for competitive American farm products. Remember the US sugar program hurts more people than it helps.

For example, during the Seattle Round, our trade negotiator was trying to lower foreign subsidies on corn and other grain, however, the other nations would point to our obscenely generous support to the sugar and call us hypocrites. We cannot let the sugar program continue to be a black eye on our efforts at knocking down trade barriers.

We are a net importer of sugar because we cannot produce enough. We need to import to meet domestic demands and needs. However, we are a net exporter of important products like Boeing jets, corn, Coca Cola, etcetera which represent a greater segment of our GNP. Our trade policy should be to open up markets overseas <u>first</u>, not blind and narrow minded defensive manners relating to a very little segment of our economy, the domestic sugar industry.

The U.S. sugar protection program and its implementation causes odd distortions in the world wide import and export of sugar that are utterly inconsistent with free trade and free markets. According to another GAO study on the sugar program, the United States allocates import levels to some 40 trading partner countries in a manner that bears little relationship to the realities of supply and demand.

For example, Brazil and the Philippines are both "allowed" by the USTR to import approximately the same tonnage of sugar under this bizarre quota system despite the fact that Brazil produces 21 times more sugar (5,215,000 tons) than the Philippines (249,000 tons). Furthermore, 10 of the 40 countries who are given sugar quota allocations by the United States to import sugar here are actually net importers of sugar themselves. 11 of the 40 countries who receive an allocation have average worldwide export levels that are less than their U.S. allocation level.

Can such a system really be consistent with our free trade message? How would the United States react if one of our trading partners gave American corn farmers a quota level that was the same as that of Honduras? Would we take seriously another country's admonitions about free trade if that country allocated imports of American beef at the same low level as those of Liberia? These are the questions that naturally flow from examination of our sugar program and I hope that our trade representatives do not feel compelled to expend valuable credibility defending such an archaic and economically inefficient system that does not advance the overall interests of the United States such as our sugar program.

The United States trade policy must be to effectuate the greater good for our country. Many more American jobs and consumers need cheaper sugar and many more non-sugar farmers need our trade policy to be freed from the millstone of our domestic sugar subsidy. If free trade talks are successful, the USTR can save American jobs in refining and manufacturing of anything that uses sugar. Also, the USTR will save the taxpayers billions of dollars.

So when our trade representatives defend the US sugar program in global trade talks, they are defending the Fanjuls, the politically well connected, the select few, but definitely not the average family farmer hurt by the contraction of overseas markets. The USTR must not protect a few folks who are profiting from an overpriced subsidy program at the expense of cattlemen, corn growers and other important American commodities. Nor must the USTR protect the select few sugar barons at the expense of the many important domestic users of sugar such as candy makers and refineries which are important US industries.

I have had conversations with the Ambassador Barshefsky about this matter. She has admitted on record that trade negotiations relating to sugar are some of the most contentious she has to deal with despite the relatively small aspect of the economy of our sugar industry. Congress should not put our trade representatives in this position to defend smaller parts of our GNP at the expense of the greater good.

Corporate Welfare

The GAO reported that 42 percent of the sugar programs benefits went to just 1 percent of the sugar producers in 1991 and 33 big sugar barons each received more than $1 million in extra revenues under the program. One producer even received $65 million in 1 year. Time Magazine did a story in November, 1998 on the Fanjul family that outlined how the U.S. sugar subsidy has helped propel this family into the ranks of the multi-millionaires. I commend it to your reading as it fairly captures how the sugar program helps a few well connected folks while sacrificing the good of the rest of the country.

I must emphasize this because you will hear; ``Don't kick farmers when they are down" or ``the family farm needs support, not a kick in the teeth." Great sound bites, but totally inappropriate with the sugar program. Sugar plantations are not family farms in the normal sense of that phrase. In 1995, the USDA compared the non-cash economic benefits that accrue to farmers of various commodities thanks to government action. Wheat gets $23 per acre in government benefits, cotton farmers $87 per acre. Sugar gets $472 per acre. Moreover this artificially high price per acre of sugar acreage complicates efforts to restore the Everglades by creating an economic incentive to utilize more Everglades for sugar farming. And this benefit goes to a select few sugar barons.

Effects On Economy

Two major American industries adversely affected by our sugar program are sugar refineries and manufacturers of products that utilize sugar. Often, sugar refineries are unable to find a consistent and adequate supply of sugar to operate year round. The variations create economic inefficiencies and waste which result in these facilities being unable to stay in business. Moreover, refineries process sugar and require sugar cane and beet to operate. Needless to say, buying this raw material in the United States is overly expensive when compared to the world price. Why would a company buy large quantities of sugar cane at $ .22 per pound when they can buy at $.10 per pound in a foreign nation and take advantage of other favorable economic factors such as labor costs and government regulation?

Accordingly, it is not hard to see why our sugar system is sending refinery jobs overseas. As recently as 1981 there were 23 sugar refineries in the United States. Today, there are only 11 refineries. Over 3,500 jobs have been lost by closures at the refineries due to a sugar program that only benefits a select few.

Similarly, manufacturers of products that rely on sugar are greatly affected by the present sugar subsidy. Ask any businessman would they rather buy sugar at 22 cents per pound or at 10 cents per pound and they would all agree they would like the cheaper sugar. Even with a duty that raises the cost to over 19 cents per pound when sugar is brought into America, businessmen know that 19 cents is cheaper than 22 cents. And businessmen know that they need to pack up and leave the United States if they want to get that cheaper sugar. Also, the incentive remains to move operations overseas if the company is pursuing an aggressive export strategy.

I think a good example of the present sugar program driving jobs out of America is the story of Bob's Candies. Bob's Candies was the largest producer of candy canes in America. Candy canes are a very cyclical industry and are made to be a low cost candy. However, the U.S. sugar program throws large roadblocks in the way of domestic candy makers. Accordingly, Bob's Candies moved much of its production to Jamaica where sugar is much cheaper. The president of

Bob's Candies recently told Reader's Digest that the company would save more than $2 million a year in raw materials if the sugar program was scrapped. This savings would enable the company to keep jobs in America and lower retail prices. Unfortunately, it just makes good business sense to go overseas to get cheaper sugar to make candy. How many Bob's Candy Canes will this Committee tolerate?

Another example pitches two agricultural groups against each other. Cranberries need sugar to make dried fruit, i.e. Craisins. However, US growers and producers of cranberries are at a competitive disadvantage to growers in countries such as Canada that pay the world price because American cranberry growers must pay 2.5 times more for sugar.

Also, the Committee should note that the cost of our sugar program was a main reason why Coke and other soda companies do not use sugar in soft drinks. Sugar got too expensive. The program priced sugar out of the lucrative soft drink industry. Instead, soft drinks now use high fructose corn syrup (HFCS) which does not have the high costs and economic inefficiencies of the sugar program. However, I continue to be amazed by how many of my pro-sugar colleagues still talk about sugar in US soda. I am not sure if this is intentional or not, however it is wrong.

Finally, I ask this committee to keep in mind the fact the sugar industry is not large in comparison to other aspects of the economy. According to USDA data there are between 40,000 and 70,000 jobs directly related to the sugar program. This is a small number compared to the 520,000 jobs in the food processing industry or the thousands of lost Everglades related tourist jobs. Congress must not blindly protect a small special interest sugar program at the expense of the greater good.

Conclusion

I am grateful for the Senate Agriculture Committee and its willingness to stand up to big Sugar and expose this program to public scrutiny. Chairman Lugar, you are to be commended for your stalwart opposition to this program and I am inspired by your efforts.

I believe sunshine on the sugar programs is one of the greatest ways to fix this corporate welfare to give the select few a benefit at the expense of everybody else. The sugar program is a regressive system that raises the costs of goods for all consumers, it contributes to the destruction of the Everglades, it causes U.S. jobs to move overseas, and it harms American efforts to open trade markets around the world. Congress must end this sweet corporate welfare cavity. Congress must not let the misleading noise of a single issue advocacy group like Big Sugar drown out the greater good of American consumers, workers, environmentalists, and taxpayers.

The recent sugar purchase only underscores how bad this program is. I hope we can use this event to fix the problem, not cover it up. Thank you for allowing me to testify about this important subject.

Statement of Senator Max Baucus
Senate Committee on Agriculture, Nutrition and Forestry
Wednesday, July 26, 2000

Good morning, Mr. Chairman. Thank you for calling this hearing to discuss our national sugar policy. This discussion is long overdue.

As you know, one of Montana's most important agricultural products is sugarbeets and some of the best Eastern Montana employers are our sugarbeet processors. However, the sugar industry is in trouble – plagued by low prices, oversupply and foreign circumvention of our trade laws.

I want our policies to reflect the need for our agricultural families to stay on the land. To date we have tried to keep a decent price while sheltering our farmers from damaging import surges. For some reason, however, we have not struck a very successful balance.

In terms of price, I supported the government purchase of sugar earlier this spring. I realize that it helped some but with global supply bursting at the seams, this approach is merely a bandaid. I think that all levels of the industry need to come together to find a joint solution to our supply problem. As they say – we either work together or we hang together.

Second, our trade policy on sugar needs some serious revamping. It's no secret that the Administration likes to use our sugar tariffs as the "wonder carrot" of negotiations with our trading partners. Let's go back to Seattle. Sugar was one of the first items that was offered to be put on the table. To me, that sends a message that sugar is one of the few bargaining chips that we have for all our other commodities. This is a burden that no single industry should bear particularly when we are already negotiating from the low ground.

Do we want protectionism for the industry? Of course not. I am a strong advocate for free and fair trade. However, before we move forward on further trade liberalization, we need to get our domestic house in order. I welcome our panelists' suggestions as to how we go about accomplishing this before the expiration of the Farm Bill.

Another trade issue that concerns me is the on-going "stuffed molasses" problem of which we in Montana continually feel the brunt. For the past several years, we have fought with the Canadians over this practice. In September 1999, Customs published a notice revoking the product from classification, thus stopping its tariff evasion. Immediately thereafter, a complaint was filed against Customs in the United States Court of International Trade which shortly thereafter overturned Customs' decision. In March, 2000, the U.S. Beet Sugar Association filed notice of appeal. Now we wait while our producers continue to suffer. This is no way to resolve a trade dispute.

And what about Mexico? They have greatly increased their sugar production but have no place to dump it. The obvious location is the United States. I remember during the NAFTA debates in Congress that this issue was raised time and again. We were notified that a side letter had been agreed to between the U.S. and Mexico that was supposed to guarantee that Mexico would not arbitrarily dump its sugar into the United States. Where is the status of this agreement now and what leverage do we have to enforce it before our TRQ levels on imported sugar skyrocket in October?

Finally, I am most curious about our import safeguards. Are the current NAFTA provisions adequate? Do we need to rethink our strategy in terms of preparing for import surges rather than simply responding? Remember we are talking about trade laws which cushion domestic industry from surges, not hinder fair trade.

Mr. Chairman, I have many more questions that solutions. I hope that we can begin to find the answers through this hearing today. Thank you.

Senator Spence Abraham
Testimony before the Senate Agriculture Committee
The U.S. Sugar Program
July 25, 2000

Thank you, Mr. Chairman, for the opportunity to address the committee today as the Members consider the merits of the sugar program. I just want to take a few moments to convey to the Committee my support for the sugar program and why I believe the current loan system is necessary.

The U.S. sugar and corn sweetener producing industry is an efficient, competitive industry responsible for 420,000 American jobs in 40 states. 23,000 of those jobs are in my State of Michigan, and, as is the case with many of the U.S. jobs created by sugar production and refinement, these jobs are located in rural areas where there is little other economic activity.

That is the reality of sugar production in Michigan. Every time the sugar program is challenged, much of the criticism is leveled at "large sugar barons". In Michigan, nothing could be further from the truth. *In my State, there are approximately 2,000 family farms that grow beets, and most of these farms average between 100 and 150 acres.* So when some in Congress try to kill the sugar program, they are threatening the livelihood of thousands of small, Michigan farmers.

Despite being grown on small farms, or more likely because of it, Michigan is the most efficient producer of sugar beets in the United States. And since U.S. sugar beet production is the lowest cost in the world, I proudly label Michigan sugar beet growers the most efficient sugar growers in the world.

Unfortunately, as has been the case with other agricultural commodities across the nation, low prices are causing sugar producers great hardship. While the rest of the U.S. economy has been roaring, U.S. agriculture has been in a depression. Prices for most crops are at, or near, all-time lows in real terms. This body has certainly recognized the danger. Since 1996, Congress has provided over $70 billion in payments to U.S. farmers.

Like other American farmers, sugar farmers are facing disastrously low prices. The price American farmers receive for refined sugar has fallen 30% just since last summer- from 27 cents per pound to only 19 cents - the lowest in since 1978. These low prices threaten to drive sugar producers out of business and could lead to massive forfeitures of sugar loans.

I understand that agriculture faces unique difficulties not experienced in manufacturing or finance, and have been a staunch supporter of efforts to provide emergency assistance for U.S. growers. The government is right to step in and provide assistance to avoid commodity loan failures. The government is also right to protect American sugar production from threats it cannot counter. That is the purpose of the sugar program.

Mr. Chairman, in my view those that seek elimination of the sugar program should focus their attention first on the world market conditions which necessitate the program. Specifically, they should challenge the foreign subsidization of sugar production. If every government around the world stayed out of the sugar production business, we wouldn't need a program to keep our farmers competitive. But the fact is that sugar production is heavily subsidized around the world, and despite the efficiencies which exist in sugar production in Michigan and other states, our growers simply cannot compete against foreign governments.

Let's look at the biggest subsidizer first: By adopting generous producer subsidies, the European Union has transformed itself from one of the world's biggest sugar importers to one of the world's biggest exporters. The EU's basic support price of 31 cents per pound is almost two-thirds higher than current U.S. market prices for refined sugar - only about 19 cents per pound. Now it unloads its surplus sugar onto the world dump market with massive export subsidies. Some 6 million metric tons of subsidized sugar are dumped on the world market each year, for whatever price it will bring. The EU's surpluses of subsidized sugar are huge and they will remain a threat for the foreseeable future.

Brazil is the next largest exporter. As a result of government subsidies, Brazil's cane industry has more than quadrupled since the 1970's. Brazil's sugar subsidies have fallen off recently, Nevertheless, the labor costs of the Brazilian cane industry are far lower than those in the U.S. and unlike this country, their sugar industry is subject to few environmental standards. Both these factors translate into lower sugar production costs which U.S. producers cannot, and would not, match.

To put it simply, U.S. sugar producers are among the world's most efficient. They welcome the opportunity to compete with foreign growers. But we cannot expect our sugar producers to also compete against foreign governments. When the actions of the Europeans and Brazilians skew the market, our growers should be able to count on the Congress to take action in their defense.

The simple fact is, without the sugar program, subsidized sugar from foreign nations would drive America's sugar producers out of business. Our efficient, labor conscious and environmentally sensitive production would be replaced by heavily subsidized, imported sugar grown under often deplorable conditions which are illegal in all 50 states. Until a level playing field can be created, whether through a new round of trade negotiation or some other mechanism, this Congress must work to protect our domestic market.

Finally, Mr. Chairman, let me say a few words about this program which has been so maligned. This year alone, the government is spending over $13 billion in "loan deficiency payments" and "marketing loss assistance" to avoid forfeitures of wheat, corn, soybeans, cotton, and rice. Last week, the Senate agreed on another $900 million in emergency agricultural spending.

Meanwhile, the initial purchase under the sugar program totaled $54 million. This was not a payment to producers. This was just the cost of purchasing sugar, which the government now owns and will sell; probably at a profit. USDA expects it will recoup some, if not all, the cost. To put this in perspective, the initial cost of the sugar purchase is about **one-half of 1 percent** of the outlays to avoid forfeitures of other crops.

It is clear to me that the sugar program is a cost effective way to help American sugar growers grow for the domestic market.

And I am not alone. I am pleased to see that the majority of Congress understands that the sugar program is a necessary and responsible means of ensuring a level playing field of competition exists for American sugar growers. Despite repeated attempts to do away with the sugar program, the Senate continues to express its support for sugar. Just last week, an overwhelming majority of Senators from both parties defeated another attempt to kill domestic sugar production.

When so many sectors of American agriculture are suffering, it is incomprehensible to me that anyone in Congress would consider eliminating the one program which protects U.S. growers from complete eradication. Until foreign sugar producers grow for the market and not a government, I intend to work to maintain the U.S. sugar program. I know I will not be alone. I look forward to working side by side with Senator Craig, Senator Dorgan and others to protect U.S. sugar from misguided efforts which could harm this important sector of agriculture.

Mr. Chairman, thank you for allowing me the opportunity to speak before the Agriculture Committee on this important matter.

Statement of August Schumacher, Jr.
Under Secretary for Farm and Foreign Agricultural Services
United States Department of Agriculture
before the
Senate Committee on Agriculture, Nutrition, and Forestry
July 26, 2000

Mr. Chairman and members of the Committee, I am pleased to appear before you to discuss the Department of Agriculture's policies and recent actions in administering the U.S. sugar program, a provision of the Federal Agriculture Improvement and Reform Act of 1996 (1996 Act).

My testimony begins with several overall comments on the American sugar industry and a brief summary of past sugar policy. I will follow with a discussion of recent actions by USDA to implement the program that Congress provided, and I will conclude with some observations about expected USDA activity regarding sugar over the next several years.

The American Sugar Sector

Sugar products have provided farmers with a reasonable rate of return and rural communities with an important source of income. Unlike many other agricultural commodities, a large portion of the value of the processed commodity is returned to the farmers and rural communities. All sugar from domestic sugarcane and sugar beets is sold on a "pooled" basis, with the grower getting about 60 percent and the cane or beet processor getting 40 percent of the proceeds from the sale of sugar. A growing percentage of sugarcane and sugar beets are processed at farmer-owned factories. Cooperatives or farmer-owned factories currently comprise about 72 percent of the sugar produced in the United States.

The US sugar industry is in a period of transition due to the current oversupply of sugar on the domestic market and the resulting reduction in prices. Because of this oversupply, any actions undertaken by USDA under the current sugar program will not return prices to the levels enjoyed by the domestic sugar sector for most of the 1990s, and, as a result, adjustments are now occurring. Production of sugarcane and sugar beets in high cost production areas is decreasing in favor of production in low cost areas. Production at a sugarcane mill and several sugar beet mills is in jeopardy and closures are likely.

Evolution of Sugar Policy

American sugar policy has been contentious even prior to the First Continental Congress. The British Sugar Act, which taxed sugar imported into the colonies, was one of the many irritants that led to the American Revolution. As one of the first acts of an independent nation, Congress passed a tariff on imported sugar, which raised funds for the Federal Government, while also providing protection for cane refiners and domestic sweetener producers. Sugar policy in the nineteenth and early twentieth centuries focused on setting the level of tariffs on sugar imports to meet U.S. government revenue, farm income, and foreign policy objectives.

The Sugar Act of 1934 represented the "high water mark" of Federal intervention in the domestic sugar market. Foreign countries and domestic areas were given marketing quotas, a sugar tax was instituted, minimum wages were established for sugar workers, and direct payments were made to sugarcane and sugar beet farmers. That act expired during the period of high sugar prices of the early 1970s.

USDA's sugar price support loan program began in the late 1970s. Prices received by farmers were supported by Commodity Credit Corporation (CCC) nonrecourse loans, similar to those used for corn and other grains today. Borrowers of nonrecourse loans have the option to or forfeit title to the loan collateral to CCC in lieu of repaying the loan principal and interest. The primary tool for price support was still the import quotas, but the loan program provided a price target that was maintained by the import quotas. The Food Security Act of 1985 (1985 Act) formalized the link between the quotas and the loan program by requiring the President to use all authorities available to the President to operate the sugar price support loan program at no net cost. The quotas were converted to a tariff-rate quota (TRQ) in the late 1980s in response to a complaint brought under the General Agreement on Tariffs and Trade (GATT).

During the 1980s corn sweeteners captured a large share of the domestic sweetener market. Sugar's loss of domestic market share combined with increasing domestic production reduced raw sugar imports (and cane refiner inputs) to low levels. To ensure a minimum level of raw sugar imports and to maintain the viability of the no-cost provision of the sugar program, marketing quotas were included in the Food, Agriculture, Conservation, and Trade Act of 1990. Marketing quotas were established for the summer of 1993 and for fiscal year (FY) 1995.

Recent Sugar Policy

The 1996 Act suspended marketing quotas, added a penalty for forfeiting loan collateral to CCC, and changed the loans to be recourse loans, unless the TRQ is established above 1.5 million tons, in which case the loans become nonrecourse loans. The 1996 Act also eliminated the formal link between the loan program and the sugar TRQ with respect to actions required of the President. The loans have consistently been nonrecourse under the 1996 Act, since the sugar TRQ has always been established above 1.5 million tons.

In response to concerns about the ad hoc manner in which the TRQ was established and adjusted in 1996 and prior years, an administrative plan for the TRQ was established in 1997 that provided for adjusting the allocation of the TRQ in a transparent and predictable manner. The TRQ was established prior to the start of the fiscal year based on USDA projections of domestic sugar supply and use. A portion of the TRQ was held in reserve and allocated to exporting nations at established times during the fiscal year unless USDA projections of the fiscal year ending stock-to-use ratio exceeded 15.5 percent. USDA views stock-to-use ratios of 15.5 percent or lower as a signal that the domestic market needs the reserve sugar to be adequately supplied at reasonable prices. This policy provided a stable domestic sugar market in FY 1997, FY 1998, and FY 1999.

FY 2000 Sugar Policy

As FY 2000 approached, it became apparent that sustained increases in domestic production had outstripped increases in domestic sugar demand and that the administrative remedies we had used in the three years prior would not be feasible. The minimum TRQ established in conjunction with the WTO was expected to result in a stocks-to-use ratio of higher than 15.5 percent. However, the estimates of supply and use are subject to considerable error when made so far in advance. USDA announced a TRQ of 1,501,348 short tons (1,362,000 metric tons) and held 250,225 short tons in case the projected supply did not materialize.

Because the TRQ was established above 1.5 million tons, CCC offered nonrecourse loans for FY 2000.

In September 1999, USDA did not believe that forfeitures were likely for FY 2000. But, given the uncertainty in forecasting, USDA knew there was a chance that supplies would be greater than expected, prices could be lower than expected, and forfeitures were a possibility. However, given the inelasticity of demand for sugar, the potential price declines could have been catastrophic for the domestic industry if the protection of the recourse loan program were not available.

USDA also believed that FY 2000 would likely be the only year that the recourse vs nonrecourse loan issue would exist since Mexico's access under the North American Free Trade Agreement (NAFTA) was expected to increase to 276,000 short tons in the next fiscal year. The increased NAFTA access was expected to result in a TRQ in excess of 1.5 million tons and, therefore, mandatory nonrecourse loans for FY 2001 and the remainder of the 1996 Act sugar provisions. Thus, USDA faced the possibility of acquiring sugar inventories, even if recourse loans had been offered in FY 2000.

The USDA projections of sugar supply made in September 1999 now appear to be low by about 300,000 tons. Several different factors combined to significantly affect the domestic sugar market in FY 2000. Partly in response to low prices for other crops, for example corn and wheat prices are about 30 percent below the past nine year average, U.S. sugar farmers have increased plantings of both sugar beets and sugarcane. Technological improvements and favorable conditions in most sugar producing regions resulted in high yields for both cane and beets as well as increased extraction rates from both crops. Slippage in the TRQ through the import of unregulated sugar syrup ("stuffed molasses") also added additional, and unexpected sugar to the domestic supply.

Sugar prices have fallen farther than expected given the currently estimated FY 2000 stocks-to-use ratio. Wholesale refined beet sugar prices are expected to average 23 percent less in FY 2000 than in FY 1999 and 23 percent below the past 5-year average. Raw cane sugar prices are expected to average 20 percent less in FY 2000 than in FY 1999 and 21 percent below the past 5-year average. The traditional price vs stocks-to-use model employed by USDA for the past decade predicts a raw sugar price almost 2 cents per pound above the current raw sugar price. However, since the mid 1980s, the current level of ending stock-to-use estimate, 18.5 percent, has only occurred when marketing allotments were in place and were triggered to address the surplus.

Sugarcane and sugar beet acreage have increased more than anticipated because the sugar crops are relatively more profitable than alternative crops. Sugarcane and sugar beet acreage is responsive to returns from other crops. Acreage in both crops substantially dipped in 1996, by 5.1 percent, in response to the high prices of other crops in 1995 and 1996. The recent low prices of grains and cotton are at least partially responsible for the increase in acreage in sugar crops. Acreage in sugar crops increased in 1997, 1998, and 1999 by 5.1 percent, 2.3 percent, and 4.4 percent, respectively. USDA does not expect acreage in most production areas to decline in spite of the reduced returns to sugar crops, given the price situation of other crops.

Overall sugar imports have been reduced in recent years as the sugar tariff-rate quota has been reduced, but sugar supplies from other foreign sources have risen significantly during this period. Sugar syrups are a small component of total supply, but they have contributed to the growing carry-over. FY 2000 ending stocks and expected CCC acquisitions would be substantially smaller if the sugar syrups imported under 1702.90.40 of the harmonized tariff schedule were under the TRQ. The 67,000 tons of high-tier tariff imports from Mexico in FY 1999 also contribute directly to FY 2000 carry over. The FY 2000 ending stocks-to-use ratio would be estimated at only 15.6 percent had these sugars not been imported.

Substantial forfeitures are expected over the next few months. The market price of refined sugar, about 19.0-21.5 cents per pound, is significantly below the proceeds most borrowers retain from forfeitures, about 23.0 cents per pound. The price of raw sugar, about 17.0 cents per pound, is also significantly below the level needed to discourage forfeitures, about 19.5-20.0 cents per pound. There are 1.4 million tons of sugar currently pledged as collateral for CCC loans, with loans on 60,500 tons maturing at the end of July, about 257,000 tons at the end of August, and about 1.073 million tons at the end of September.

CCC's recent sugar purchases were made under the authority provided to CCC in section 1009(c), under the Cost Reduction Options of the 1985 Act. The sugar purchase was made to stabilize the low sugar prices and reduce the cost of the sugar program to taxpayers. CCC purchased 132,000 tons of refined sugar at a cost of $54,125,900, for an average cost of 20.5 cents per pound. The terms of storage under the purchase are similar to the terms of storage under forfeitures and the only cost difference between the two types of acquisition are the direct acquisition costs. Since the expected acquisition cost under forfeitures is 23.0 cents per pound, CCC saved an estimated $6.6 million by making the sugar purchase.

Disposition of CCC sugar inventory

USDA has analyzed many potential outlets for the surplus sugar but most have serious disadvantages or limitations. Foreign donation, ethanol, and restricted use sales are possible but either expensive or reduce the price of other commodities with already depressed prices. The most feasible use of surplus sugar appears to be to make Payment-in-Kind (PIK) payments to sugar beet producers to reduce the quantity of beets harvested and sugar produced in FY 2001.

CCC can use the authority under the Cost Reduction Options of in section 1009(e) of the 1985 Act to accept bids from producers for the conversion of planted acres to diverted acres in return for PIK payments from CCC sugar stocks. We are assessing this option because the PIK option would eliminate the $264,000 per month cost of storage for the 132,000 tons of sugar currently in inventory, as well as storage costs for any forfeited sugar utilized for this program, and may reduce CCC outlays next year as the sugar surplus is expected to be larger in FY 2001 than FY 2000. If nonrecourse loans are mandated in FY 2001, a PIK program may save CCC more than the cost of the purchases. The PIK payments are limited by statute to $20,000 per year per person but are not agregated in the other payment limitations. A sugar PIK program is not expected to solve the oversupply problem for the domestic industry because the program would be limited by the availability of CCC inventories and the payment limitation severely limits the number of acres that can be diverted per farm. Also, the planted acres also are under contract to processors who may not be willing to forego the production.

While USDA would prefer a market where neither sugar purchases or a sugar PIK program were used, these options seem to be the best available alternatives to provide support to U.S. farmers in the most cost effective manner.

Sugar Market Outlook

USDA projects that domestic sugar production is not likely to increase for the next several years as the domestic industry adjusts to the recent lower price levels, which are expected to continue through the remainder of the 1996 Act. Production lost through plant closures is expected to be made up by continuing productivity improvements in the remaining factories and increased productivity will occur on the farm. Supply is expected to increase in FY 2001, due to the increased NAFTA access for Mexico, in addition to the mandated minimum TRQ, and rise slowly from FY 2001 through FY2003. CCC net expenditures on the sugar program are expected to increase dramatically beginning in FY 2004.

Mr. Chairman, in response to a combination of factors that have affected the U.S. sugar industry and the statutory mandates of the program, USDA has taken a measured and directed approach towards stabilizing the domestic sugar market. We have carefully considered the impact on consumers as well as sugar producers. The PIK program and our sugar purchases represent a pro-active stance on the part of USDA to aid struggling sugar producers through a very difficult period, deal responsibly with forfeited sugar, and implement existing law.

The Administration is committed to work with this Committee and the sugar industry to reform the program in a sustainable manner that will support our nation's sugar farmers while maintaining a stable supply of sugar for American consumers.

I would say in conclusion, however, it should be our collective position that we take steps to help farmers thrive, not just survive. We are doing all we can to help American family farmers reach that goal. As we work to pull our farm economy up from these tough times, I encourage your input and look forward to an ongoing dialogue with you.

Thank you, Mr. Chairman, and I would be pleased to answer any questions that you or the

Committee may have.

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TESTIMONY OF

Carol Brick-Turin

President

CBT Consulting

CONCERNING THE REVIEW OF THE FEDERAL SUGAR PROGRAM

BEFORE THE

COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

UNITED STATES SENATE

JULY 26, 2000

Chairman Lugar, Mr. Harkin, and Members of the Committee:

Good morning! Thank you for inviting me to participate in today's hearing; I'm honored to be here to share my thoughts with you on the U.S. sugar program. I am Carol Brick-Turin, President of CBT Consulting, the company I founded one year ago this month, having worked in both the public and private sectors on agricultural issues for the past 25 years, 15 of which were spent analyzing U.S. sugar policy.

In my remarks today I would like to highlight the following three points:

1. Adversities faced by the domestic sweetener industry today were not created overnight. They are the culmination of public policy and private sector initiatives that have evolved over the past two decades.

2. As a result, the collision between free market forces and government controls is nearing. The U.S. Department of Agriculture is no longer able to carry out the intent of its Congressional mandate.

3. It is therefore crucial to begin the debate on the future direction of the U.S. sugar program. In forging the future of the sugar program, the complexity of current government policy, and the industry response to such policy, must be acknowledged and understood.

As shown in the attachment to my written testimony, the federal government has been involved in the sugar market for over 60 years. The price support program has been the only domestic program for sugar since 1981 (with the exception of marketing allotments used briefly in the early 1990s). However, since 1982, the federal government has also used a whole host of import policies in order to meet its domestic policy objectives. Since President Reagan established a country-by-country quota that year, the federal government has issued and re-issued dozens of related rules, regulations, Presidential Proclamations, and administrative decisions to govern imports. The issuance of certificates of quota eligibility, shipping patterns, re-export programs for quota exempt sugar, specialty sugar licensing, sugar containing product quotas, and tariff classifications for sugar and products are but part of the complex web that constitutes the sugar import program.

Sugar policy set and administered by the federal government has been the single most important influence on the evolution of the sweetener industry over the past twenty years. Yet, many changes in the dynamics in the sweetener marketplace have also occurred as a result of normal industry practice to maintain a competitive edge by cutting costs and increasing efficiencies. This interplay between public policy and private sector initiatives almost always results in the use of qualifiers when discussing the U.S. sugar program.

In fact, discussions about U.S. sugar policy bring to mind discussions held by Tevya, in *Fiddler on the Roof* (with himself), in that there is always an *other hand*. Let me give you a few significant examples.

- *On the one hand* U.S. sugar policy has protected sugar growers from volatile price movements in the world market with guaranteed minimum price supports and restricted import levels. *On the other hand* the same policy, by elevating prices, has encouraged displacement of sugar by high fructose corn syrup, stimulated a rate of sugar production that has outstripped consumption, reduced U.S. import needs significantly, and advanced an extraordinary level of consolidation in the cane refining and beet processing sectors.

- *On the one hand*, current industry woes may be attributed to external factors such as imports of certain syrups from which non-quota sugar is extracted, threats of Mexican imports overhanging the market, and from time to time, tariff-rate quota (TRQ) mismanagement. *On the other hand*, the industry itself must take responsibility for creating the current oversupply situation through increased acreage and output, supported by scientific and technological advances in production and processing operations that have resulted in record recovery rates and yields.

- *On the one hand* opponents argue that lower loan rates will help the consumer. Clearly grower prices exceed levels that would be expected in a free market scenario. *On the other hand,* the contention by the General Accounting Office (GAO) that the sugar program cost domestic sweetener users almost $2 billion in 1998, unrealistically assumes 100% pass-through of cost reductions by refiners and industrial users to final consumers.[1]

In fact, my point is that when it comes to sugar policy there is always an *other hand.*

There are simply no more ways for the U.S. Department of Agriculture (USDA) to help the grower/processor sector within the framework of the current sugar title. The Administration's hands are tied by a Congressional mandate that sets the loan rate and requires recourse loans if imports drop below 1.5 million tons; a World Trade Organization (WTO) obligation to permit imports of at least 1.25 million tons; and a North American Free Trade Agreement (NAFTA) commitment that will ultimately establish the free flow of product between the U.S. and Mexico. It is therefore vital to begin the debate on the long-term direction of the U.S. sugar program.

In summary, I believe that the potential for reform is undermined by oversimplified criticism or applause of the U.S. sugar program; that the current sugar program is a patchwork of statutes, rules, regulations, Executive Orders, and administrative decisions that has been pieced together over the past two decades. When crafting a long-term policy, both program opponents and supporters must recognize its complexity in order to move toward a unified, constructive approach that accommodates the changing dynamics of the sweetener marketplace.

This concludes my prepared remarks. I would be pleased to answer any questions the Committee has for me. Thank you very much.

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[1] GAO/RCED-00-126, Sugar Program, June 9, 2000.

Selected Highlights of Federal Legislation/Presidential Proclamations Governing the U.S. Sugar Market

1934 Sugar Act	40 years of government control over industry
1949 Agricultural Act	Became part of fundamental legislation for first comprehensive price support program with non-recourse loans
1974 Sugar Act	Not renewed as consumer prices escalated
1977	Variable import fee mechanism established
1977-78	Interim payment program under Food and Agriculture Act of 1977
1979	Authority reverted to 1949 Act
1980-81	No support program due to high world prices
1981 Agriculture and Food Act	Re-established supports with non-recourse loans; Import fee system revised using Market Stabilization Price
1982	Import quota established on country-by-country basis; Certificate of Quota Eligibility system established
1983	Specialty sugar program established; Refined re-export program established; Certain blends and mixtures embargoed
1984	Sugar-containing product and polyhydric alcohol re-export programs established
1985 Food Security Act	See provisions below; Sugar-containing product quotas set; Fee system suspended
1987	Foreign Trade Subzone status granted to certain sugar-containing product manufacturers
1990 Food, Agriculture, Conservation and Trade Act	See provisions below
1996 Food and Agriculture Improvement and Reform Act	See provisions below

1985, 1990, 1996 Farm Bill Provisions

1985 Food Security Act

- Minimum price support level based on a raw cane sugar loan rate of 18-cents/pound, raw value; level may be increased by USDA
- Non-recourse loans
- "No-cost" provision mandated
- Verification required from net importing quota-holders that Cuban sugar not being transshipped

1990 Food, Agriculture, Conservation and Trade Act

- Minimum price support level based on a raw cane sugar loan rate of 18-cents/pound, raw value (unchanged since 1985); levels may be increased by USDA
- Nine month loan terms
- "No-cost" provision retained
- Minimum import requirement of 1.25 million short tons
- Standby domestic sugar marketing allotments (domestic supply controls) (Marketing assessment of 1 percent of loan rate was established in the Budget Reconciliation Act of 1990; increased in 1993 to 1.1 percent)

1996 Food and Agriculture Improvement and Reform Act

- Minimum price support level based on a raw cane sugar loan rate of 18-cents/pound, raw value (unchanged since 1985); 1-cent penalty for forfeiture added
- Nine month loan terms
- Non-recourse loans conditional upon TRQ above 1.5 million short tons
- "No-cost" provision eliminated
- Standby marketing allotments eliminated
- Marketing assessments increased to 1.375% of loan rate for cane; 1.47425% for beets (In 1999 suspended for 2 years)

TESTIMONY OF IRA S. SHAPIRO
LONG, ALDRIDGE & NORMAN

ON BEHALF OF THE COALITION FOR SUGAR REFORM

before the Senate Committee on Agriculture
July 26, 2000

I appreciate the opportunity to appear before the committee to discuss the important policy issues presented by the U.S. sugar program. I am here today on behalf of the Coalition for Sugar Reform, an umbrella organization representing U.S. trade associations, consumer and environmental groups, and taxpayer advocates united in their belief that the U.S. sugar program should be fundamentally reformed.

Committee members are well aware of the difficult issues posed by this program; you—and your predecessors—have grappled with these issues many times over the years. But the debate over the sugar program acquired increased intensity this year as the costs and contradictions of the program could no longer be denied.

- Taxpayers will bear an increasing burden if the current program continues. The Administration projects that the sugar program will cost $141 million this year, and cumulatively over $1 billion through 2005. As Congress prepares to craft the next farm bill, it will have fewer budgetary resources available for the major commodity and conservation programs because of unprecedented costs in the sugar program.

- The market is oversupplied and likely to become more so. The sugar program has stimulated too much production while demand has been growing slowly, and the government has reached the limits of its ability to manage supply through import restraints. In the past four seasons, production has grown an average of 6% a year, while demand has grown less than 2% a year. That is a sure-fire formula for surplus.

- The Administration has tried to address oversupply through ill-advised, ad hoc responses rather than simply letting the law work as intended. USDA bought 132,000 tons of sugar without any real idea what it will do with the product, but the market price is lower today than when the Department announced its intention to buy.

- The program continues to encourage sugar cane production in the Florida Everglades even as Congress debates a $7.8 billion cleanup effort made necessary, in large part, by the expansion of sugar and other agricultural enterprises in this unique ecosystem.

This panel includes an array of witnesses who can provide valuable insight into these issues. But as a former U.S. trade official, I would like to focus my testimony today on another cost of the sugar program. An honest debate about the sugar program should not be limited to the impact on consumers, or products that include sugar, or even its environmental consequences, as important as all these things are. I believe that maintaining the sugar program in anything like its present form will undercut our ability to open foreign markets for a whole range of U.S. products and services, particularly agricultural commodities and value-added products.

This isn't simply about the price of a five-pound bag of sugar, or even the $2 billion extra that consumers spend annually because of our sugar program. It's actually about our ability to deliver on the promise to open markets more fully around the world for our farmers, ranchers, food processors and everyone else who is part of America's food industry. The sugar program is the Achilles heel of U.S. trade policy.

Why do I say that? Let's look at the U.S. record in international trade, and the central challenges facing us.

History will mark the years since 1993 as an extraordinary period of trade expansion. The Clinton Administration came into office committed to opening foreign markets by whatever means possible: multilaterally, regionally and bilaterally—and blessed with the bipartisan support and the opportunities needed to do so. From the completion of NAFTA and the Uruguay Round in 1993 to the vote on PNTR for China and the recent bilateral agreement with Vietnam, the Administration, with the support and the prodding of Congress, has worked on every front to open markets, and to enforce the market opening commitments that other countries have made. By any measure, markets around the world are far more open than they were a decade ago, thanks to U.S. leadership.

The special importance of trade to U.S. agriculture has long been clear; our farmers and ranchers were many years ahead of the rest of the economy in recognizing the vital importance of access to foreign markets. As Secretary Glickman stated in recent testimony to the Finance Committee, "the vast majority of US farmers and ranchers know there is only one direction to go: forward. Twenty five percent of US agricultural sales are for export, 96 percent of the world's consumers live outside of the United States, and agricultural exports account for nearly 750,000 jobs here at home, both on and off the farm. Perhaps more to the point, we export 12 times as much wheat as we import, 21 times as much feed grains, over five times as much rice, twice as much tobacco, nearly 9 times as much cotton; and in the case of soybeans, we exported $4.7 billion worth last year and imported virtually none." Trade is also vital to the growth of value-added and processed foods and feedstuffs. Global trade in processed food is growing twice as fast as bulk commodity trade, and consumer products now account for a greater percentage of U.S. agricultural exports than raw commodities.

The progress in opening markets around the world has undeniably benefitted U.S. agriculture and the food sector. The Uruguay Round was a landmark accomplishment, which finally began to bring agricultural trade under fair and internationally accepted rules. The Uruguay Round

Agreement on Agriculture abolished quotas, ensuring that countries would use only tariffs to restrict imports; and went on to reduce and bind those tariffs. It subjected export subsidies and trade-distorting domestic support measures to specific limits, reducing them as well. Through the Agreement on Sanitary and Phytosanitary Measures, WTO members agreed to use science-based sanitary and phytosanitary standards to protect human, animal and plant life and health, taking away, at least in principle, one of foreign governments' most powerful protectionist tools. NAFTA gave our farmers and ranchers preferential access to Mexico as well as to Canada; our agricultural exports to those countries have grown by nearly $4 billion since 1993, and now represent more than one-fourth of our agricultural exports. Ambassador Barshefsky and Secretary Glickman have successfully negotiated numerous bilateral agreements opening up new opportunities in a large range of commodities: tomatoes and apples in Japan; citrus and other fruits in Brazil, Chile, Mexico and other countries; beef in Korea; cattle, hogs, wheat and barley into Canada. China's WTO accession agreement is an historic achievement in many respects, but certainly in terms of dramatic new opportunities for U.S. agriculture. USDA predicts more than a $1 billion annual increase in processed food exports as a result of this agreement, for example.

Despite these achievements, all over the world agriculture remains the most sensitive area—economically, politically and culturally—of international trade. While many barriers have come down, agricultural trade remains substantially restricted and distorted. Tariffs average 50% worldwide for agricultural products. TRQs have created some access for imports, but continue to maintain restrictive conditions. The European Union continues to employ 90% of the world's export subsidies, damaging the interests of our farmers and ranchers, and harming many of the nations of the developing world. Countries still routinely invoke sanitary and phytosanitary barriers to block imports, in the absence of sound science. State trading enterprises still play far too large a role in agricultural trade. The economic health of our agricultural sector depends on getting stronger rules, and breaking down these barriers, to ensure greater access to markets around the world.

For these reasons, both before Seattle, and since, every U.S. official has made it crystal clear the number one priority for the United States in the new round of trade negotiations was agriculture trade liberalization. Our ambitious objectives are set forth clearly in the recent "Proposal for Comprehensive Long Term Agricultural Trade Reform" submitted in Geneva. That proposal "entails reforms across all measures that distort agricultural trade and that once adopted will reduce levels of protection, close loopholes that allow for trade-distorting practices, clarify and strengthen rules governing implementation of commitments, foster growth and promote global food security and sustainable development." The proposal notes that "the United States believes there are compelling arguments for further reform. Too often and in too many countries, the production and marketing decisions farmers make are still driven by government programs and protections from market access barriers, rather than market conditions. As a result, competitive farmers, ranchers and processors are denied sufficient access to markets and face subsidized products and the trade-distorting policies of foreign governments, leaving the world with an agricultural market still far from the WTO objective of a fair and market oriented system."

In my view, there is no doubting the commitment of Congress, this Administration, and the next Administration—Democratic or Republican—to continue opening world agricultural markets. The real question is how we will accomplish that vital objective. Because agricultural trade barriers still proliferate around the world, the U.S. comes to any negotiation with ambitious liberalization objectives. Because the playing field is not currently level, we plan to press other nations to undertake more changes and more market opening than we are prepared to do. Because we are already so open, we have relatively little to use as leverage in exchange for the market opening that we seek. The barriers we continue to maintain include some of the most sensitive commodities and products we have.

Against this backdrop, it is quite clear to me that the U.S. sugar program stands as one of the principal impediments to our hopes for continuing agricultural trade liberalization.

First, the program makes our calls for "a fair and market oriented system" sound hollow and hypocritical. If we saw this program in another country, we would regard it as a major and unacceptable distortion of trade. In fact, OECD estimates distributed by USDA show that this is one commodity where, during 1996-98, U.S. subsidies were actually somewhat higher than European Union subsidies, when expressed as a share of production value. The 1996 Farm Bill ended government controls and phased out payments to farmers of corn, wheat, cotton and other crops. The sugar program is a glaring exception to this progress. USDA continues to tightly control the marketplace through the TRQ, and high price support levels remain in effect. The lower duty applicable to in-quota imports is unchanged, while the over-quota duty rate actually rose initially and has remained at levels that are still prohibitive to imports. Thus, the Uruguay Round Agreement, despite its introduction of important principles for agricultural trade, made almost no progress in altering the basic features of the sugar program. While defenders of the sugar program point out that the United States imports approximately 15% of its sugar, this contrasts sharply with the 40% market share that foreign sugar had in the U.S. market before the current sugar program was put in place in 1981. Why should other nations be expected to end protection and government management of their sensitive commodities, and open their markets, if the U.S. is unable to do so? The answer – readily apparent in Seattle – is that they will not.

Second, worldwide agricultural trade liberalization will occur, if at all, through the combined and determined efforts of the leading agricultural exporters—the United States and the members of the Cairns Group—coming together to overcome the opposition of those nations mostly strongly opposed to liberalization, notably the European Union and Japan. Our sugar program has driven a wedge between the U.S. and one of the leaders of the Cairns Group nations, Australia. In Seattle, the major study released by the Global Alliance for Sugar Trade Reform and Liberalization, organized by Australia, documented the burden placed on the world economy by the sugar programs maintained by the European Union, Japan and the United States. For the United States, the world's leading agricultural exporter, that is not good company to keep. The incongruities in the U.S. position created by the sugar program take the pressure off the European Union and Japan, who can oppose real agricultural liberalization with impunity.

The U.S. sugar industry argues that the European Union's sugar subsidy program is worse than that of the United States; thus, if the U.S. scraps its own sugar program, subsidized EU sugar will pour into the United States and drive U.S. sugar growers out of business. The European Union's sugar subsidy does, in fact, distort markets in ways the U.S. sugar program does not, because it depends on export subsidies. However, even without the U.S. sugar program, dumped and subsidized European sugar would be unable to enter the country due to the anti-dumping duties that have been in place for some time against European sugar producers (Belgium, France, Germany) and the countervailing duties applied to European Union sugar. In addition, the U.S. has deliberately chosen not to follow the European model in other agricultural products in the past, instead attempting to compete in world markets and tear down the trade barriers of other countries.

The sugar industry will no doubt argue that the decline of the world price of sugar over the past year is the result of dumping and is a sure sign of things to come if the sugar program is eliminated. In fact, both world and domestic sugar prices have declined this year due to unprecedented oversupply, stimulated by favorable weather conditions, increases in acreage due to lower prices for other commodities, and contracting markets in Russia and Asia. To the extent that a lower price may be reflective of dumping, however, U.S. antidumping laws provide an effective remedy to a domestic industry that is being injured by less-than-fair-value imports. There is no reason why the antidumping laws and the countervailing duty laws which protect other industries from unfairly traded products will not afford similar protection to the sugar industry, assuming that dumping or subsidizing is occurring and resulting in injury.

Third, there are few issues, if any, that matter more to more nations than increased sugar access to the markets of the developed world. This issue stands close to the top of the agenda of two of the leading developing nations, India and Brazil, as well as several rapidly developing economies, such as Chile, Thailand and the Philippines. But it is also the highest priority for some of the smallest, struggling economies in our hemisphere: Colombia, Costa Rica, El Salvador, Guatamala, Honduras, Nicaragua, and Panama. These developing nations tend to maintain the highest tariffs against our agricultural products. They are potentially among the fastest growing markets for our farmers and ranchers if those barriers can be reduced. We know from Seattle, and the discussions since, that many developing nations believe that they have been shortchanged by the international trading system. Many believe that they made significant market opening commitments in the Uruguay Round and have received too little benefit in terms of reciprocal access to the markets of the developed world. The inequities of the U.S. sugar program compel the conclusion that the grievances of the developing countries are well justified, not just deeply felt.

Our own citizens will benefit from reform of the sugar program, including liberalized imports. According to the General Accounting Office, users and consumers of sugar paid nearly $2 billion more in 1998 for products containing sugar than if there had been no sugar program. Sugar processors and growers, of course, dispute this number. But it is in the range of all the other independent estimates I have seen, including studies by the U.S. International Trade Commission and others. In order to claim that consumers will see no benefit from sugar liberalization, one has to assert that there is no competition in the food industry. I would submit to you that no one who shops for groceries will take this claim very seriously. Our food manufacturers and grocers are intensely competitive, as anyone who compares prices and uses coupons can tell you.

Mr. Chairman, our coalition hopes this hearing marks the beginning of a serious discussion of the costs, benefits and future of the U.S. sugar program. Every nation has its sensitive commodities, and sugar is plainly one of ours. But when our sensitive commodity, which is produced by relatively few growers, is vitally important to the economic well-being of so many other nations, it can cause a major imbalance in the global system. Reform of the U.S. sugar program would provide a vital boost to the economies of many poor nations, and would be particularly beneficial if it helped force the EU and Japan to reform their programs. At the same time, such reform could be a major catalyst in expanding export opportunities for our producers of grains, oilseeds, cotton, meat, processed foods and value-added agricultural products.

Consumer Federation of America

STATEMENT OF
ARTHUR S. JAEGER
ASSISTANT DIRECTOR

BEFORE THE
SENATE COMMITTEE ON AGRICULTURE,
NUTRITION & FORESTRY

ON CONSUMERS AND THE
FEDERAL SUGAR PROGRAM

WEDNESDAY, JULY 26, 2000
WASHINGTON, DC

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STATEMENT OF ARTHUR S. JAEGER
ASSISTANT DIRECTOR
CONSUMER FEDERATION OF AMERICA
BEFORE THE SENATE COMMITTEE ON AGRICULTURE,
NUTRITION & FORESTRY
ON CONSUMERS AND THE FEDERAL SUGAR PROGRAM
WEDNESDAY, JULY 26, 2000
WASHINGTON, DC

My name is Art Jaeger. I am pleased to be here today on behalf of the Consumer Federation of America.

CFA is a nonprofit association of more than 260 pro-consumer organizations, most of them national, state and local advocacy organizations and consumer-owned nonprofit cooperatives, such as credit unions and housing co-ops. CFA was founded in 1968 to advance the consumer interest through advocacy and education.

The Consumer Federation of America has long opposed the federal sugar program as costly to consumers. It appreciates the committee holding this hearing in the wake of a new General Accounting Office report on the sugar program and the recent government purchase designed to shore up sagging sugar prices.

Consumer Cost of the Sugar Program

The sugar program has its roots in the 1930s, when federal farm programs were seen as a temporary means to get family farmers through hard times. It has long since outlived its usefulness. Yet, when Congress recently pushed many other farm subsidies in a free-market direction, the sugar program was barely touched.

The program relies on a system of price supports and import restrictions to keep prices paid to U.S. producers well above the world market.[1] Unfortunately, much or all of this increased farm income is passed on to consumers as an added cost by those who buy sugar from producers—that is, food processors and retailers.

Consumers pay this hidden subsidy each time they buy a food product containing sugar at the grocery store. It amounts to a regressive, hidden food tax. And it hits poor Americans the hardest, since they spend a disproportionately large percentage of their

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[1] In May, for example, U.S. raw sugar prices averaged 19.3 cents per pound while the world price averaged 7.3 cents per pound. U.S. Raw and World Raw Sugar Prices, by Month and Quarter, Economic Research Service, USDA.

income on food.[2]

In a report issued just last month, the General Accounting Office took an exhaustive look at the sugar program. It concluded that the cost of the program to sugarcane refiners, food manufacturers and consumers was about $1.5 billion in 1996 and about $1.9 billion in 1998.[3] The June report followed a 1993 GAO report that put the cost of the sugar program to sugar users at $1.4 billion.[4]

What if there were no sugar program? In its most recent report, GAO estimated that, for table sugar alone, consumers would have saved about $600 million in 1996 and about $800 million in 1998, assuming all savings from ending the program were passed on by processors and retailers. If savings from all sugar-containing foods were passed on, GAO estimated consumers would have saved the full $1.5 billion in sugar program costs in 1996 and $1.9 billion in 1998.

Supporters of the sugar program dispute these findings. They suggest there is little or no consumer cost associated with the sugar program and, further, that food processors and retailers would simply pocket any savings from eliminating the program. Most economic studies that have investigated the issue, however, confirm the existence of the so-called consumer "pass through." They conclude that food prices are strongly influenced by changes in input costs, including commodity prices.[5]

Common sense also suggests that declines in commodity prices will eventually be reflected in retail prices. Since the major U.S. food companies are highly competitive, any company that fails to reflect reduced input costs in its prices eventually will lose sales to manufacturers of similar products."[6]

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[2] For example, government consumer expenditure data show that the poorest fifth of families spends an average of 40 percent of income on food, while the average family spends only 13 percent.

[3] *Supporting Sugar Prices Has Increased Users' Costs While Benefitting Producers,* U.S. General Accounting Office, GAO/RCED-00-126, June 2000.

[4] *Sugar Program: Changing Domestic and International Conditions Require Program Changes,* U.S. General Accounting Office, GAO/RCED-93-84, April 1993.

[5] See, for example: *A Study of the Relationship Between Farm Level Prices and Retail Food Prices,* Dale Heien, U.S. Council on Wage and Price Stability, September 1976; "The Effects of Changing Input Costs on Food Prices," R. McFall Lamm and Paul C. Westcott, *American Journal of Agricultural Economics,* May 1981; or "Why Do Food Prices Increases?" Michael Belongia, *Journal of the Federal Reserve Bank of St. Louis,* April 1983.

[6] Specifically discussing sugar, the June GAO report noted that the market for table sugar is highly price-competitive: "With a homogeneous product such as sugar, each brand is almost perfectly substitutable for another. When substitutability between products is nearly perfect, it is more difficult for sellers to insulate their products from the price competition of rivals..."

Finally, a review of raw and retail sugar prices in the early 1990s strongly suggests the existence of the pass through. From 1990 to 1994, a 5.3 percent drop in raw sugar prices was closely matched with 4.8 percent decline in the retail price of sugar. [7]

Recent Declines in Raw Sugar Prices

Recent developments in the sugar market provide additional evidence that reductions in raw sugar prices are passed on to consumers. From July 1999 to February 2000, a glut of sugar caused the U.S. raw sugar price fall more than 20 percent.[8]

How did retail prices respond? According to Bureau of Labor Statistics data, retail prices of refined sugar hit a four-year low of 41.4 cents per pound in April of this year,[9] suggesting a modest benefit to consumers from the decline in raw sugar prices. Consumers saw approximately a four percent decline in retail table sugar prices from April 1999 to April 2000.

Why didn't the retail price decline match the raw price decline? Industry representatives note that virtually all other costs to food manufacturers and grocers increased over the period. In particular, they cite soaring energy prices and increased hiring costs from a tight labor market as balancing out declines in raw sugar prices.[10]

Certainly, CFA would prefer to see a more significant retail price drop in response to the free fall in raw sugar prices. We will be watching these numbers closely over the next few months and will not hesitate to speak out if it appears food processors and retailers have taken advantage of the 1999-2000 drop in raw sugar prices.

Who Benefits from the Sugar Program?

The cost to consumers of the federal sugar program might not be so objectionable if most of what consumers paid in extra costs helped struggling family farmers stay on their land. Unfortunately, since benefits under the sugar program accrue on a per-pound basis, the bulk of the benefits go to those who least need it—that is, the largest,

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[7] The average price of a pound of raw sugar declined from $23.29 to $22.05, or $1.24, between 1990 and 1994, while the average price of a pound of refined sugar at the retail level dropped from $42.17 to $40.13, or $2.04, over the same period. U.S. Raw and Retail Sugar Prices, by Month and Quarter, Economic Research Service, USDA

[8] U.S. Raw Sugar Price, by Month and Quarter, Economic Research Service, USDA

[9] Average price data for refined sugar from the Bureau of Labor Statistics website, July 18, 2000

[10] In the first half of 2000, energy costs increased more than 26 percent, according to the Labor Department, while labor costs are up more than four percent over the last year. In the last 12 months, the overall Consumer Price index was up 3.7 percent.

most financially secure growers and industrial processing companies.

According to the General Accounting Office's 1993 report, more than 40 percent of the benefits from the sugar program went to the top one percent of the growers in 1991. Benefits were particularly concentrated among cane sugar growers, 33 of whom reaped in excess of a million dollars a year each. But benefits were also concentrated among sugar beet growers. According to the GAO, the top 10 percent of beet sugar growers received 40 percent of all beet-grower benefits in 1991, or nearly $80,000 per year each.

These beneficiaries are not struggling family farmers. The money they receive could be used by consumers to buy additional food or clothing, help pay the mortgage and supplement savings.

USDA Administration Adds to Sugar Program Costs

The consumer cost of the sugar program is also increased by the way the Agriculture Department administers the program. Too often, it favors producers' interests over those of consumers or taxpayers.

In setting the annual Tariff Rate Quota for sugar, for example, USDA acts in an overly restrictive manner, creating a tighter-than-necessary supply and a higher-than necessary price.[11] Last summer, the General Accounting Office concluded that $400 million of the sugar program's annual cost to consumers and other sugar users resulted from USDA's overly restrictive administration of the tariff rate quota.[12]

Recent plummeting sugar prices have led to more management problems with the sugar program. In the last year, the growing sugar glut triggered fears that, under one of the few pro-consumer reforms in the sugar program in recent years, growers would be forced to repay their government loans in cash if imports fell below 1.5 million tons for the year. Growers, of course, would prefer the option of simply forfeiting their crops to the government at taxpayer expense.

To solve this problem, the Agriculture Department first made it appear imports would top 1.5 million tons this year when, in fact, this was extremely unlikely.[13] Key to USDA's

[11] The goal of the TRQ is to restrict low-priced imports and keep domestic prices high. Imports above the quota are currently assessed a tariff of more than 15 cents per pound, making them prohibitively expensive.

[12] *Sugar Program—Changing the Method for Setting Import Quotas Could Reduce Costs to Users,* GAO-RCED-99-209, U.S. General Accounting Office July 1999.

[13] A more recent estimate of imports under the TRQ, from USDA's *Sugar and Sweeteners Yearbook,* is 1.2 million tons.

calculations was 250,225 tons of "initially unallocated" imports that the Department said would be allocated "if needed, as the administration reviews market conditions and the operation of the sugar program."[14]

Unfortunately, this creative use of numbers only made things worse. With producer prices still slumping, the Agriculture Department early this year faced the prospect of taxpayer-paid forfeitures of loans to sugar producers. To avoid forfeitures, USDA announced plans to shore up sagging prices by purchasing approximately 150,000 tons of surplus sugar.[15] The purchase cost taxpayers more than $54 million[16] and there is no guarantee there won't be more purchases or forfeitures before the year's out. Knowledgeable observers expect the government to own at least 500,000 tons of sugar, either through additional purchases or forfeitures, by fall. Taxpayer costs for these purchases would be well over $100 million.

The USDA sugar purchase also sends the wrong signal to producers. It suggests that the federal government will continue to rescue them from the marketplace and encourages them to overproduce. Despite slumping prices, for example, acreage planted in both sugar cane and sugar beets is projected to set records this year.[17] This will only lead to additional consumer and taxpayer costs for the sugar program down the road.

Assisting Small Farmers

While CFA objects to the sugar program, it is also concerned about the continuing decline in the number of small family farms. Small farms add much to the economic and social fabric of the nation and should be preserved. Clearly, some small sugar beet farmers in the Upper Midwest and elsewhere are facing serious financial problems and deserve help. We simply feel price support programs are an inefficient way to assist them, because they concentrate benefits on the wealthiest producers.

Repeatedly in the last year, as economic conditions in rural America deteriorated, CFA raised the possibility of a means-tested program to save the remaining family farms. A recent Economic Research Service analysis hints at the same solution. It looked at four approaches to a "farm household safety net," most based on income or expenditure thresholds used in other federal assistance programs. The analysis found that these

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[14] "USDA Announces Fiscal Year 2000 Raw Sugar Tariff-Rate Quota," USDA News Release, November 2, 1999

[15] "USDA to Purchase U.S. Sugar, Reduce Cost to Government," USDA News Release, May 17, 2000

[16] Notice of Sugar Purchase, Kanasas City Commodity Office, Farm Service Agency, USDA, June 6, 2000

[17] *Sugar and Sweeteners Yearbook*, Economic Research Service, USDA, May 24, 2000.

safety nets would cost about as much as current farm programs. But the distribution of benefits changed dramatically. Under the safety nets, a much larger percentage of benefits went to smaller farms or those with limited resources. [18]

In lieu of the sugar program, Congress should consider a targeted assistance package for those small sugar producers needing help to survive. This would be more effective than the current sugar program—and it would concentrate assistance where it's needed the most, not on the largest, wealthiest producers. While such an aid package would entail government cost, at least taxpayers would know they were providing subsidies to farmers who need help, not wealthy Florida cane growers.

Reforming the Sugar Program

Legislation pending in Congress starts down the road to reforming the sugar program by phasing out sugar price supports by 2003. It is sponsored in the House by Representatives Dan Miller (R.-Fla.) and George Miller (D.-Calif.). and by Senators Charles Schumer (D.-N.Y.), Diane Feinstein (D.-Calif.), and others in the Senate.

This legislation deserves enactment. If this is not feasible, a preliminary step would to simply administer the sugar program as it was enacted in 1996, without an overly restrictive Tariff Rate Quota or costly federal surplus sugar purchases.

Import protections—the other cornerstone of the sugar program—also should be phased out or drastically reduced. Tariffs on most major agricultural commodities entering this country are minimal. The tariff on over-quota sugar is more than 100 percent. Restrictions on sugar imports limit our ability to open markets for other agricultural commodities.

Many small farmers in this country are hurting, in part from a drop off in exports. Opening up agricultural trade is a key to helping them. Without reform of the sugar program, this will be difficult.

The sugar program has been picking the pockets of American consumers for decades. Now it is incurring million of dollars in taxpayers costs as well. It also hamstrings efforts to boost agricultural exports. The time has come to begin phasing out this program.

[18] "A Safety Net for Farm Households?" USDA Agricultural Outlook, January-February 2000.

CITIZENS
AGAINST
GOVERNMENT
WASTE

Statement of

John E. Frydenlund, Director
Center for International Food and Agriculture Policy
Citizens Against Government Waste
Washington, D.C.

Committee on Agriculture, Nutrition and Forestry
United States Senate
July 26, 2000

Mr. Chairman and members of the committee, on behalf of Citizens Against Government Waste (CAGW), thank you for the opportunity to testify on the federal sugar program.

CAGW is a nonprofit, nonpartisan organization with one million members and supporters, which grew out of President Reagan's Private Sector Survey on Cost Control, better known as the Grace Commission. The organization's mission is to work for the elimination of waste, mismanagement, and inefficiency in the federal government, with the goal of creating a government that manages its programs with the same eye to innovation, productivity, and economy that is dictated by the private sector.

The Center for International Food and Agriculture Policy institutionalized CAGW's long-standing goal of dismantling Depression-era agricultural price supports and regulations. In addition to a belief that Congress should build on the accomplishments of the 1996 Freedom to Farm Bill and achieve a truly free market for agriculture, the Center advances the philosophy that the best way to wean America's farmers off the federal dole and assure them a prosperous and secure future is to promote a more open global food economy by dismantling barriers to free trade.

CAGW applauds Chairman Lugar for holding this hearing, particularly at the present time, in advance of congressional consideration of a new farm bill. For years, the sugar lobby has successfully deceived the public into believing that the sugar program has no cost. However, the truth has finally come out. The Clinton Administration's decision to purchase sugar to prop-up domestic sugar

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prices finally debunks the greatest myth that producers have perpetrated on the U.S. public – that the sugar program does not cost taxpayers anything.

The Clinton Administration's mid-session budget review shows that from 2000 through 2005, the sugar program will cost taxpayers — not consumers, taxpayers — a cumulative $1 billion.

The White House agreed in May to purchase 132,000 tons of sugar, which will cost taxpayers approximately $54 million. However, this is only the beginning. The Clinton Administration acknowledged that this purchase would not help strengthen sugar prices. In fact, according to a report in the highly respected *Pro Farmer*, USDA budget analysts expect the government to spend $140 million on sugar this fiscal year. Indeed, the sugar lobby is already pushing for still more assistance that would cost at least as much as the sugar purchase.

If this sugar were converted to ethanol, as has been urged by sugar growers, this would displace sales of corn. The U.S. Department of Agriculture already acknowledged that if this happened they would consider a similar purchase of corn to make up for lost corn sales. Of course, then the government will dump the surplus corn on the market and displace the sales of some other commodity, which the government will then have to purchase, and the cycle will never end.

The U.S. Department of Agriculture made this situation worse by ignoring warnings from the Office of Management and Budget and by mismanaging the tariff-rate quota (TRQ) for sugar. Although USDA is supposed to announce the TRQ allocations prior to the beginning of each new fiscal year, this year the TRQ was announced late — over a month after the fiscal year began.

If the TRQ is more than 1.5 million tons, U.S. sugar processors are eligible for "non-recourse" loans, which do not have to be repaid. But if the TRQ is less than 1.5 million tons, the loans become recourse. Since sugar processors would rather not have to repay their loans, they used their clout to pressure USDA to announce a TRQ that would permit them to forfeit sugar to the government if they wished.

USDA came up with the novel approach of announcing an essentially fictional TRQ and simultaneously announcing a real TRQ that would actually be enforced. The fictional TRQ was just over 1.5 million tons — just enough to give sugar processors the right not to repay their loans. But at the same time, USDA also announced that only 1.25 million tons of the quota could actually be imported. Theoretically, the rest would be available "if needed."

In other words, USDA perpetrated a sham by putting the "1.5 million" in a press release, which gave the sugar processing industry the right not to repay loans made with taxpayer money. And by ensuring that the real TRQ was significantly less than this — 1.25 million tons — USDA further restricted imports, which also helps processors. In fact, the only reason USDA did not shrink the 1.25 million ton figure even more is that the United States has an international obligation under the World Trade Organization not to import any less than this amount.

If USDA had followed the intent of the law last fall, taxpayers would not be paying for sugar purchases now. If USDA had announced the TRQ at the true 1.25 million ton level, then price support loans would have been recourse. The big processors could have still gotten the loans, but they would have had to pay them back with real money, not sugar.

USDA's administration of the TRQ has been marked by a short-term political focus and a bias in favor of the large domestic sugar interests that have historically wielded influence at the Department. Even before this year's fiasco, the General Accounting Office (GAO) found that USDA raised sugar costs for users and consumers $400 million higher than would have been necessary to hold sugar prices at the artificially high levels required by law. In other words, USDA has not just imposed the annual cost of the sugar program on users and consumers — recently estimated by GAO at $2 billion, a 40 percent increase since its last report in 1993 — but added another $400 million to the consumer tax for sugar.

Furthermore, the continuation of the U.S. sugar program is detrimental to the export opportunities of all of American agriculture. Congress' consideration of a new farm bill will coincide with the next round of international trade negotiations, which has been difficult to launch.

Prior to the Uruguay round completed in 1994, there had been seven rounds of multilateral trade negotiations under the auspices of the GATT, beginning in 1947. During those rounds, the United States agreed to tariff concessions for binding and/or reducing tariff rates on imports of virtually all industrial and agricultural products. However, few concessions were made on sugar imports. In each and every negotiating round, sugar has been singled out for protection from international competition.

The Uruguay round was intended to produce substantial reforms of agricultural policies by reducing domestic and export subsidies and expanding market access. However, the U.S. sugar program undermines the leverage of U.S. negotiators to produce such results. Sugar is supported at a level far above the world market price, and the supply of sugar is controlled through the administration of restrictive import quotas. The sugar program escaped reform in the Uruguay round.

Members of this committee should be aware that some of the poorest countries in the world have been hit hardest by the U.S. sugar program. The U.S. sugar quota has lowered per capita incomes and living standards and prevented some of these countries from emerging from debt and poverty.

The many sectors of agriculture that compete in world markets should no longer allow the sugar program to impair their export opportunities. The future of U.S. agriculture lies in exporting commodities where it has a competitive advantage. Maintenance of the restrictive sugar program is contrary to the interests of corn, wheat and other commodity producers who need to take advantage of expanded export markets.

The U.S. cannot afford to let bad trade policy on sugar and other overly protected commodities interfere with the need to reduce barriers and level the playing field in the $600 billion global agriculture market. In order to continue to be a strong player in world markets and to expand its agricultural prosperity, America must push for further reductions in trade impediments. It would be a mistake for Congress and the administration to allow the archaic federal sugar program to undercut the bargaining position for the rest of American agriculture.

Sugar must be on the table in these negotiations and not get singled out for special protection. Insisting that sugar receive special treatment in trade negotiations will certainly cause other countries to insist on receiving such special treatment for their politically sensitive crops. U.S. unwillingness to significantly liberalize trade in sugar will undermine future trade opportunities for the rest of U.S. agriculture, jeopardizing efforts to increase market access for corn, wheat, rice and many other commodities.

In conclusion, for the good of U.S. taxpayers, consumers, and the rest of the agriculture industry, it is long past time to get rid of the U.S. sugar program.

STATEMENT OF NICHOLAS KOMINUS
ON BEHALF OF
THE UNITED STATES CANE SUGAR REFINERS' ASSOCIATION
BEFORE THE
SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
JULY 26, 2000

Mr. Chairman, my name is Nicholas Kominus, I am the President of the United States Cane Sugar Refiners' Association, 1730 Rhode Island Avenue, Washington, D.C. 20036.

The member companies of the Association account for half of the refined sugar marketed in the United States. They refine raw cane sugar that is produced in the United States, and that which is imported from foreign nations.

They operate eight refineries in seven states - California, Florida, Georgia, Louisiana, Maryland, New York, and Texas. In addition, they operate a number of other facilities in other states. A list of member companies is attached.

The cane sugar refining industry plays a unique and important role in ensuring that ample supplies of sugar are available to the nation's food and beverage manufacturers and consumers at all times, and under all conditions. No other segment of the sugar industry in the United States or abroad can meet this need.

When there is a domestic crop failure through drought or freeze, as often there is, food processors must depend upon the refiners to fill the void by importing and refining more foreign raw sugar.

For example, in the summer of 1997, the domestic sugar beet crop was much smaller than anticipated. Fortunately, we still had enough refining capacity to make up for the beet shortfall.

Without adequate refining capacity, the situation would have been chaotic, particularly for those food manufacturers who depend upon daily deliveries of sugar.

In the absence of sufficient refining capacity, some food processing plant closings would be inevitable, and consumers could face shortages and skyrocketing prices.

Needless to say, supply is not a problem today. There is a surplus of sugar. However, most of the expansion in beet sugar production has taken place in nonirrigated regions that are far more susceptible to the uncertainties of the weather.

And, under the NAFTA, more of our sugar supply will come from Mexico, which is certainly not insulated from crop disasters.

In the future, the only practical response to short crops, here or in Mexico, will be for refiners to tap the world's raw sugar supply. There are no practical alternatives.

Thus, in order to protect the integrity of the nation's sugar supply, we must maintain adequate refining capacity.

In this regard, it is indeed unfortunate that the mismanangement of the Government's sugar subsidy program has been damaging the cane sugar refining industry.

Since the program was adopted in 1981, 12 of the industry's 22 refineries have closed (see the attached table). The industry has lost over 40 percent of its capacity, and thousands of employees have lost jobs. And the industry is under undue stress that threatens more refinery closings.

Under the program, the Department of Agriculture has support ed the price of sugar for domestic producers by limiting the quantity of imported raw sugar available to refiners.

In doing so, it has been far too restrictive. In the past, the Department has forced the price of raw cane sugar up as high as 25 cents a pound - more than the price of refined beet sugar at the time. Under those circumstances it is impossible for refiners to compete.

Until the recent market adjustment, raw sugar prices were still being supported too high - from 22 to 23 cents a pound - much higher than the forfeiture level, which is around 20 cents a pound.

These unnecessarily high prices have sent the wrong signal to domestic producers, and they have responded by overproducing.

In other words, tight import quotas have begot high prices, and high prices have begot more domestic production.

Over the years, we have repeatedly called for larger import quotas and warned that the sugar program was in trouble. Changes were needed. These calls, and the calls of others, for moderation in setting the quota went unheeded.

Before the program was adopted, we were importing from five to six million tons of sugar a year, mostly from the developing nations. Imports accounted for around 45 percent of our nation's sugar needs.

Today, we are importing little more than one million tons a year, and imports now account for around 10 percent of our needs.

And herein lies the current problem.

Historically, the Department supported the price of raw and refined sugar by controlling imports. It can no longer do so. Imports are too small because domestic growers have overproduced. The tail cannot wag the dog.

Since it was adopted in 1981, the Government's sugar subsidy program has changed the structure of the sugar market (1) by pricing sugar out of the sweetener market, and (2) by encouraging more domestic production at the expense of imports.

As a result, today the sugar program is inneffective. The price of refined sugar is depressed. The Department has lost control of the situation, and it is largely of its own doing. It can no longer support the price of sugar, and as a result has to expose the taxpayer to considerable cost by acquiring unneeded sugar.

As mentioned earlier, the Department has totally ignored repeated warnings by refiners and others. Despite our pleas, it continued to set exceptionally tight import quotas which artificially forced up the price of raw sugar, and stimulated more domestic production.

In the 1996 farm bill, the Congress adopted three changes in the sugar program that should have helped alleviate the current mess, had the Department not chosen to ignore them.

The so-called "no-cost" provisions were dropped and a one-cent forfeiture penalty was adopted. These changes would have permitted larger import quotas. The Department, at the urging of the producers chose to ignore them. It continued its policy of tight quotas that resulted in higher than necessary prices, which encouraged still more domestic production.

The farm bill also attempted to restore balance by denying nonrecourse loans, if imports continued to slip. A 1.5 million ton trigger was adopted. However, the Department, in its wisdom, decided to ignore this provision last year by providing non-recourse loans, even though everyone in the sugar trade knew that import needs would be well under the 1.5 million ton trigger.

The Department also failed to consider our trade obligations under the WTO and under the NAFTA that require minimum foreign access to our market.

So, the Department has done nothing to try to temper unbridled domestic production. In administering the program, the Department has failed to balance the interest of all Americans, including consumers, food manufacturers, and refiners.

The Department has also failed to make timely quota announcements.

So, things are a mess. The question now is how to respond to that mess. The Department has already purchased 132,000 tons of refined sugar, and will probably purchase more. It is, we understand, also considering a payment-in-kind program.

Whatever it does, the Department should not further aggravate the situation by taking those who expanded plantings off the hook. The burden for correcting the situation should fall on them. A message must be sent to the beet and cane producers.

We have the following recommendations:

First, the Department should announce and allocate the tariff rate quota well before the beginning of this coming marketing year. The six-week delay last year created all sorts of costly problems for refiners and others in the sugar trade that should not be repeated.

Second, if the quota allocated is less than 1.5 million tons, the loans must be recourse. If the quota announced is greater than 1.5 million tons, the 1.5 million tons should actually be available for import.

Third, if the Department is compelled to buy additional sugar, it should purchase refined sugar and not raw sugar, as low refined sugar prices are driving the low raw sugar prices.

Purchasing additional raw sugar will not result in any increase in refined sugar prices. And it would encourage more overproduction, and thus not act to avert refined beet sugar forfeitures.

Fourth, require that any increase in the quota for Mexico be imported as raw sugar for further refining so as to avoid any further loss in refining capacity. Cane sugar refiners should not be further disadvantaged.

And fifth, whatever short-term steps the Department takes to alleviate the current situation should be designed to facilitate a long-term solution to the problem.

Thank you.

BEFORE THE SENATE AGRICUTURE COMMITTEE

STATEMENT OF SWEETENER USERS ASSOCIATION REGARDING THE SUGAR PROGRAM

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July 26, 2000

Statement of the Sweetener Users Association Regarding the Sugar Program

July 26, 2000

The Sweetener Users Association (SUA), representing U.S. food and beverage manufacturers who are industrial users of sugar and other sweeteners, is pleased to have the opportunity to submit its views on the operation of the sugar program and the urgent need for reform.

I have been President of the Sweetener Users Association since its inception in 1987. During that time, I have appeared before countless legislative hearings on the sugar program. I dare say that my message was not always well received by all members of the agriculture committees – to say the least. Often, I have been politely dismissed – some times not so politely - with the statement that "the sugar program is not broken, so why would you want us to fix it?" This was usually followed by the comment that the sugar program was being operated at *no net cost* to the taxpayer. Well, Mr. Chairman and members of the Committee, these two statements do not meet today's "reality test."

I would like to compliment Chairman Lugar for holding these important hearings at this critical time. For many years, industrial users have stated that rigid domestic sugar policy was unfair, but more importantly that it could not be sustained in a dynamic global economy. No one likes an I–told-you-so; but the truth can be uncomfortable at times. The sugar program is in urgent need of reform and the Sweetener Users Association would like to play an active role in the process of developing a program that is consistent with other farm programs, our international trade commitments and the cold hard facts of an intensely competitive marketplace.

The following is the SUA's 'litmus test' when considering sugar reform:

- We support legislative and/or administrative remedies that will cause more market-oriented sweetener prices, while assuring an adequate and reliable supply of sweeteners, both domestic and foreign.
- We oppose government intrusion in the marketplace, such as restrictive trade barriers and domestic production/marketing controls.
- We favor the elimination or substantial reduction of domestic and international trade barriers and subsidies affecting sugar and other sweeteners because it is in the best interest of efficient domestic producers, processors, consumers and manufacturers.
- Finally, we look forward to the day when competition in the global sweetener market is governed by efficiency and competition rather than by government regulation, subsidies and interference.

Sugar Program

The main goal of U.S. sugar policy has been to inflate returns to domestic producers by creating artificial shortages. The basic tool for carrying out this policy was a rigid system of import quotas on raw and refined sugar, and certain sugar-containing products. Over the years, U.S. imports of sugar have declined from 5 million short tons to about 1.25 million tons. Due to these highly restrictive quotas, domestic sugar prices have averaged more than 2 to 3 times above world prices.

Until recently, the operative element of the U.S. sugar program has been the tariff rate quota (TRQ). The domestic sugar program was not truly a farm program. Sugar rarely went into the CCC loan program. There was no need for acreage controls or marketing restraints as long as imports of sugar could be reduced to accommodate increases in domestic production and keep internal sugar prices well above forfeiture levels. For many years, the sugar quota proved to be an effective policy tool and trade barrier.

Fortunately, during the Uruguay Round the United States agreed to import at least 1.25 million tons of sugar from our trading partners. With domestic sugar production approaching 9 million tons, the sugar import quota would have fallen below 1 million tons if the WTO minimum had not been established. This meant that the traditional method of 'shorting the market' was no longer available. From this point forward the industrial users and consumers will not solely bear the cost of the program. If sugar prices are to be supported at such high levels, the taxpayer will now be required to underwrite the sugar growers program.

Negative Costs for the Economy

Let us examine some of the costs that the sugar program imposes on the U.S. economy. They fall into five categories:

- Efficiency and welfare losses.
- Unwarranted consumer costs.
- Adverse impacts on manufacturers of sweetened foods and beverages.
- Taxpayer burden and impact on Federal Budget.
- Impediments to U.S. trade liberalization efforts.

Efficiency and Welfare Losses

Standard welfare analysis examines supply and demand functions in order to quantify the income transfers between consumers and producers caused by a policy. In so doing, it also highlights the efficiency losses that the policy causes due to misallocation of resources and the transfers to foreign producers or consumers. From the national point of view that represents a pure welfare loss. These losses are significant.

According to the latest GAO report, the transfer to foreign producers alone added up to about $400 million in both 1996 and 1998.

The USITC in its 1995 and 1999 reviews of import restraints summarized the various studies that have looked at this issue and reported that the negative welfare effects ranged from $540 million to $1.3 billion annually. Their most recent report estimated that there would be a net welfare gain of $986 million if quotas on sugar and sugar-containing products were removed.

Cost to Consumers

The second negative impact on the US economy is the cost to consumers, which is considerable. In a June 2000 report, the General Accounting Office put the cost at $1.5 billion in 1996 and $1.9 billion in 1998. About 40 percent of that is due to higher prices for sugar in the grocery store and 60 percent is for sugar in processed foods and drinks.

An earlier analysis by USDA suggested a similar figure for excess consumer costs. The USDA study used a hypothetical price gap of 5 cents per pound and was therefore quite conservative because it compared the 22-cent US raw sugar price to a landed cost of 17 cents, equivalent to a world market price of about 15 cents. At that world price level, many countries would have a strong incentive to expand production if they knew they had markets in the United States and Europe that would willingly import their lower cost sugar. The world price has averaged less than12 cents a pound in recent years and is currently about 10 cents. Even the conservative USDA estimate that the US price is too high by 5 cents per pound indicated that there is a consumer cost of more than $1 billion due to inflation of the sugar price by $100/ton on the 10.25 million tons used domestically for food.

Adverse Impact on Food and Beverage Manufacturers

The third negative impact is on industrial consumers. Consumers have many choices in deciding how to spend their money. Sugar import restraints and the associated sugar price support program significantly harm companies that make and sell sweetened products. These result in a higher cost structure that puts sweetened products at a distinct disadvantage relative to other food and beverage products. This means that our member companies sell fewer products and hire fewer people. This policy hobbles growth by imposing unreasonable pricing on a highly competitive industry.

As manufacturers achieve lower costs, they pass most of that benefit on to consumers because it is in their interest to do so. They also have no choice because the food business is extremely competitive. To appreciate this one only has to go into any grocery store and witness the battle for shelf space among tens of thousands of individual products from different companies that are competing for the consumer's attention through sales, special promotions, coupons, etc.

Food and beverage manufacturers would benefit in two ways from an easing of sugar import restraints: through higher volume and better margins. If they can sell more sweetened products because of more competitive pricing, they will be more profitable. And prices will be lower than under a continuation of current policy. Every government study of this issue has shown that changes in food ingredient prices, up or down, are passed through to the consumer level after a lag of a few weeks or months. There is no reason why sugar pricing would behave any differently than commodities that are traded competitively in the marketplace - if it were not supported by a government cartel.

Taxpayer Burden and impact on Federal Budget

In addition to the costs to consumers and users, the sugar program is now beginning to cost taxpayers a lot of money. For a number of years, the federal government collected a small assessment on beet and cane sugar production as a means of offsetting the administrative costs of the program. However, the Congress suspended the assessment in 1999. The sugar program has now become a major cost center competing with other commodity program budgets.

In June, USDA spent more that $54 million acquiring 132,000 tons of refined beet sugar. More purchases are being contemplated. In addition, as of July 10 there was still more that $443 million of beet and cane sugar under loan that could be forfeited by September 30. The latest mid-year review for the Department of Agriculture projects sugar program costs over the next five years at $1 billion. That number will probably only get bigger. So much for the notion of "no net cost" to the taxpayer.

Impediment to Trade Liberalization Efforts

Finally, policies like the sugar program give other countries the perfect excuse for not responding to US efforts to reduce barriers to US agricultural exports. While the United States has one of the world's more open economies, that does not give us as much leverage in trade negotiations as it should as long as other countries can point to a highly visible target such as the domestic sugar program. Too often, our trading partners claim that they too will be waiting for that apocryphal level playing field to arrive before reducing or eliminating their trade barriers.

Growth in trade is critical to the future of American agriculture. In 1999, the United States exported $49 billion worth of agricultural products, generating a net surplus in agricultural trade of $12 billion, and accounting for approximately a quarter of farm receipts. This net surplus is in sharp contrast to the very large negative trade balance for nonagricultural products of $352 billion in 1999.

Agricultural exports are important not only to the farm sector but also to the national economy as a whole. If American agriculture is to grow and prosper, it is essential that our trade negotiators achieve reductions in foreign barriers to trade affecting U.S. food and agricultural products. For example, the developing economies around the world represent the growth markets of the future, but as long as U.S. policy blocks access for their sugar to our market, it will be impossible to negotiate reductions in the barriers protecting their agricultural sectors.

The track record for sugar reform – be it in the form of bilateral, regional or multilateral agreements – is not good. However, SUA is heartened by the "Proposal for Comprehensive Long Term Agricultural Trade Reform" tabled recently in Geneva. This extremely bold proposal calls for across-the-board reforms in agriculture including all measures that distort agricultural trade.

As the United States prepares for the pending WTO agricultural negotiations, our negotiators will be pressured to back track from this " all inclusive" position, and refuse to negotiate meaningful changes to the sugar tariff-rate quota. It is imperative that U.S. trade officials resist these political pressures and be vigilant in insisting that sugar remain on the negotiating table. To do otherwise will ensure that our trading partners will not be willing to offer important agricultural concessions for U.S. farmers, ranchers and food processors.

The FY99/00 Quota Year

For the record, I would like to chronicle the events of the current market year thus far. The prospects for a coherent sugar policy next marketing year do not look any more promising. I will cover some of those questions after a review of this year's scramble to artificially prop up prices.

- By the beginning of the 1999/00 marketing year the traditional tool used to 'short' the domestic sugar market was no longer available.
- With 'bin-busting' domestic sugar production at approximately 8.9 million short tons, the sugar import quota established for the fiscal year would have fallen below 1 million short tons.
- As stated earlier, during the Uruguay Round the U.S. agreed to import at least 1.25 million tons of sugar from our trading partners. Thus, with the TRQ established at the WTO minimum the stocks-to- use ratio was estimated at around 16.7%.
- A stock/use ratio above 16.5% suggested that domestic raw and refined sugar prices for the marketing year could bounce around 'forfeiture levels.'
- As early as July 1999, it was apparent that USDA was determined to establish a raw sugar TRQ greater than 1.5 million tons in order to avoid the trigger for recourse loans. Under the 1996 FAIR Act, and using the USDA's existing administrative approach, recourse loans were inevitable given current supply and demand forecasts.
- In total disregard for the market, the TRQ was not announced by October 1, the beginning of the marketing year. By late October because FY99/00 sugar imports were not available to refiners, USDA issued a West Coast Waiver of 100,000 tons adding to the growing surplus.

- The Administration's Sugar Working Group was convened for the first time in a long time. After weeks of spirited discussions, the FY99/00 TRQ was finally announced on November 2, 1999 at 1,501,348 short tons.

- In order to ensure that recourse loans did not come into play a 'phantom quota' of 250,225 tons was established. It was deliberate fiction employed to push the total raw sugar quota above 1.5 million tons in order to make sugar processors eligible for non-recourse loans. (Recourse loans cannot be settled by forfeiting the sugar loan collateral; they must be repaid like any other commercial loan and the sugar is then available to the market.)

- USDA's decision to permit non-recourse loans when the usual administrative plan would not support such an outcome was arbitrary, capricious and represented an unacceptable abuse of authority and contempt for the Department's procedures.

- By establishing non-recourse loans, USDA violated the intent of Congress and put the federal budget and the American taxpayer at risk. After the FAIR Act passed, sugar growers boasted that the sugar program was more market-oriented than most crops. Politicians talked boldly about the risk their growers were willing to assume with recourse loans.

- By March 10, sugar production estimates surpassed the 9 million-ton mark and on March 31, prospective beet plantings were up 1%. A sage sugar analyst dubbed this the "crop that won't stop."

- Although sugar growers had lobbied fiercely for non-recourse loans, it appeared that they were just kidding. They instead informed Congress that they wanted USDA to buy their way out of the 'oversupplied' sugar market.

- A purchase program was announced on May 11, 1999. On June 6, the Department purchased 132,000 tons of sugar at 20.5 cents per pound. The market expectation was that USDA might buy as much as 300–350,000 tons.

- The sugar program is now officially costing the taxpayer money not withstanding the bogus statements that this action was accomplished under the "cost reduction" authority of the farm bill.

- However, it appears that there is resistance to USDA purchasing additional sugar from the open market program, perhaps because the initial purchase did not reduce the amount of sugar under loan or because refined sugar prices have fallen below the 20.5 cent per pound tender offer.

- The policy option "du jour" is now a P.I.K. program (payment-in-kind). However, there is much disagreement within the industry on the point. While USDA currently owns only 132,000 tons of sugar, given the large quantities of loans coming due between now and September, the Department may get the opportunity to acquire great quantities of sugar.

- It is doubtful that a P.I.K. program will solve the current problem. A one-year payment-in-kind program will take some acreage out of production. However, any sugar acquired by USDA by means of open market purchases or loan defaults will simply be recycled into the market. This action may not bolster market prices.

- A multi-year P.I.K. will cause sugar farmers to 'farm the program.' Without acreage reduction restrictions in place, it is likely that sugar growers will merely plant additional land to make up for any acres that may be plowed under.

- None of these 'knee jerk" policy actions can mask the fact that there is a lot of sugar in the market. Moreover, there is still about 600,000 tons of quota sugar to come in before the end of the marketing year and the prospects for another bumper sugar crop next season are very high at this time.

FY00/01 Sugar TRQ

We are only two months away from the beginning of the new marketing year for sugar. Based on the most recent acreage report, USDA projects total sugar output next season at 9,083 million tons, slightly above this year's crop. This implies about a 250-300,000 ton increase in stocks in 2000/01 given expectations for trade and consumption. Moreover, some analysts expect that next month's crop report will show better than expected yield factors, thus increasing the prospects for an even larger sugar crop. This means that the pressure will remain on Congress and the Administration to search for new ways to 'short' the market and artificially raise prices.

Industrial users have many serious questions as we approach FY2000/01.

- Will market forces be allowed to operate or will the mistakes of FY99/00 be repeated?

- Will the Administration again circumvent the clear congressional intent of the law and display utter contempt for the USDA's own procedures by announcing another "phantom quota" to avoid recourse loans?

- Will the FY00/01 quota be announced by the beginning of the marketing year? On the other hand, will delay and deceit again be the hallmark of the sugar TRQ process?

- Will USDA announce another purchase program?

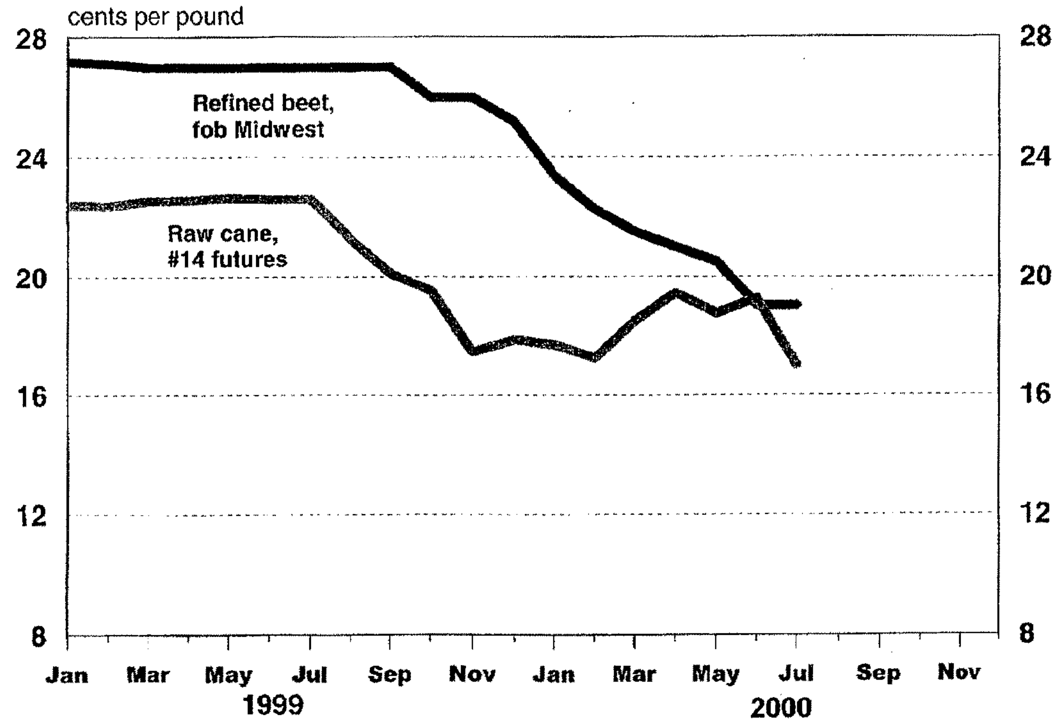
- Will there be a permanent program to pay sugar farmers to plow under their crop?

- How much money will taxpayers be required to pay to sustain this outdated program?

- Will the U.S. renege on its commitment to import additional sugar from Mexico? Alternatively, will increased Mexican sugar imports be put under the WTO minimum and force traditional quota holders out of the U.S. market?

Given the threat of mounting budget expenses and the prospect for WTO and NAFTA sugar trade disputes, it is time to consider developing a rational and workable sugar policy that can take efficient growers, processors and industrial users into the future. We thank you for holding these important hearings and for considering our views. We look forward to working with this Committee on ways to reform this failed sugar program.

US sugar prices



To: The Senate Committee on Agriculture, Nutrition and Forestry

Date: July 26, 2000

Full Committee Hearing to review the Federal Sugar Program

Testimony of: Mark D. Perry, Executive Director
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Everglades Natural System Description

Historically, rainwater falling on the Kissimmee River Valley would flow south to Lake Okeechobee. The Lake would periodically overflow the southern rim and the water would sheetflow slowly through the sawgrass marshes and around tree islands making its way through the 40 to 60 mile wide shallow flat grasslands of the Everglades and eventually into Florida Bay. This ecological system was described by Florida author and conservationist Marjory Stoneman Douglas in 1947 as "The River of Grass" and was known as the Everglades. Along the south shore of the Lake was a swamp forest of pond apple and coastal willow. From the forest south was a vast shallow plain of sawgrass and to tree islands with deeper sloughs became increasingly numerous.

Water levels and flows in the Everglades fluctuated seasonally in response to rainfall and runoff. Most of the land was inundated with water during the year, and during heavy rains and floods, the exposed tree islands were shaped to align with the surface flow. During dry season, water levels were at or near the surface. Muck and peat formed the subsoils and were 10-12 feet thick in regions near the Lake with less further south. Water would be absorbed into the sawgrass and evapotranspire into the air, then condense and be driven back north by southeasterly winds to rain again on the Kissimmee Valley.

Animal populations in the Everglades were diverse and abundant compared to today. Thousands of nesting wading birds, large populations of fish, alligators and other species filled the Everglades.

The Everglades Agricultural Area (EAA)

In 1850, Congress gave over to Florida nearly 20 million acres of land to help in the "reclamation" of the Everglades lands by drains and levees. In the Senate Document of 1911, plans were laid out for reclamation of approximately 3 million acres. In June of 1910 an act of Congress made appropriations for rivers and harbors, which was to help Florida drain the Everglades.

The drainage era between 1906 and 1927 made great strides, and the Miami River Canal was one of the first cuts through the Atlantic Coastal ridge. Drainage was also provided for the agricultural area south of the Lake, and approximately 50,000 acres of the fertile soils were farmed. Two hurricanes in the late 1920's overflowed the Lake to the south and many lives were lost. In response, the U.S. Army Corps of Engineers built the Hoover Dyke, 32-45 feet high entirely around the Lake in 1930.

In 1948, Congress authorized the Central and Southern Florida Flood Control Project to provide flood protection and water supply for agriculture. Completed over the next 20 years, the project included over 1,000 miles of canals, levees, gates and pump stations. The dramatic alterations to the hydrology made available 700,000 acres south of Lake Okeechobee, which became the Everglades Agricultural Area (EAA). Sugarcane grew to dominate 88% of the total crop coverage, 575,000 acres, with other farms growing winter vegetables, rice and sod. Three major growers, Sugar Cane Growers Cooperative, Florida Crystals Corp. and U.S. Sugar Corp. had a total crop for 1999 season of 1,913,579 tons.

Effects of the EAA on the Natural System

Drainage and irrigation is provided to the EAA through a series of 25 canals, levees and large pump stations. The EAA can drain water south to the Water Conservation Areas (WCA's) and backpump water into Lake Okeechobee, which provides their ability to keep the groundwater table at an ideal 2 feet below the surface. The flow of water is held to "maximum practicable releases" from the Lake, about 4,000 cubic feet per second (cfs) total. The major release outlets for Lake Okeechobee are east through the St. Lucie canal at 16,900 cfs and west through the Caloosahatchee canal at 9,300 cfs.

The EAA has effectively blocked the "river of grass" and the flows to the WCA's and the Everglades are now artificially managed by the U.S. Army Corps and the South Florida Water Management District (SFWMD). Water in the Lake is discharged into the St. Lucie River Estuary and the Caloosahatchee River Estuary with devastating effects. Fish disease outbreaks have been directly correlated with discharges and effects on oysters and other biota have been documented. Tons of silt and sediment have also been transported into these estuaries where 6 feet of muck has accumulated on the bottoms covering submerged aquatic vegetation, oyster and clam beds. At times of heavy discharge, freshwater plumes have extended out 6 miles into the Atlantic and over nearshore reefs, including the State Park Reef at St. Lucie Inlet.

Manipulation of water within the EAA has also held water in Lake Okeechobee artificially. Over the last 10 years. The Lake has been managed as a reservoir for water not as a natural lake. Lake levels became critical this year and in April and May discharges were made to lower the Lake from 15 feet down to 13 feet. "Shared Adversity" was the call of water managers but on two occasions water did not flow south through the EAA and the adversity went to the estuaries. Water from the EAA also causes flooding of tree islands in the WCA's and in the Everglades. Water quality problems have also been documented with total phosphorus levels in the EAA between 107 and 200 parts per billion. A recent report from SFWMD states that in 1999, 128 tons of phosphorous flowed out of the EAA. There is also concern regarding runoff that would contain major pesticides, herbicides and other toxic compounds. The intensive drainage associated with agriculture in the EAA has also caused a loss of organic soils. The compaction and oxidation of soils south of the Lake has resulted in 5 feet or more loss by 1984.

The largest impacts of the EAA have been the hydrological alterations, land cover changes and chemical outflows to the immediate land area. More importantly, however, it is how the agricultural practices in the EAA have impacted the surrounding natural environments including Lake Okeechobee, the St. Lucie and Caloosahatchee estuaries, the Everglades and even Florida Bay.

What is being done ?

The Restudy, authorized in 1996 and submitted to Congress in 1999, has great claim to fix the entire system and "restore" the Everglades. It has even been renamed the Comprehensive Everglades Restoration Plan (S-2797). Some components will help to remove levees, fill canals and elevate roads to reestablish sheetflow in the water conservation areas. Only one component, however has involved water storage in the EAA. The 51,000 acre Talisman property was purchased in 1999 with federal funds for $133 million and is slated for restoration as marsh, however, much of this land has been leased back to farmers to continue sugarcane production for the next 3-5 years. Projected efforts under the Everglades Restoration Plan are slated to occur over the next 20 years at an expense of $ 7.8 billion with $172 million annual operation and maintenance.

There will continue to be water management under the purview of a working relationship between the U.S. Army Corps of Engineers and the South Florida Water Management District for the Lake and the entire flood control project. Separate control seems to be apparent however in the EAA where agriculture dictates water supply and drainage needs to the agencies.

What are we going to do?

We have the power to truly restore the Everglades as well as the Lake and estuaries. We have this ability, but do we have the political will? To achieve a sustainable Florida, the key will be how we manage water and how we allow nature to manage the water. What is in the best interest for America? Change must happen and it must happen soon. It will take time, but I would much rather pass along a positive change to my children. How about you?

THE EVERGLADES COALITION

TESTIMONY OF SHANNON A. ESTENOZ
NATIONAL CO-CHAIR, THE EVERGLADES COALITION
DIRECTOR, WORLD WILDLIFE FUND,
SOUTH FLORIDA/EVERGLADES PROGRAM
BEFORE THE COMMITTEE ON AGRICULTURE, NUTRITION, & FORESTRY
UNITED STATES SENATE
July 26, 2000

On behalf of the more than one million US members of the World Wildlife Fund, and on behalf of the 42 environmental, civic and recreational organizations that comprise The Everglades Coalition and which collectively represent nearly 6 million members and supporters, I want to thank the Committee for the opportunity to submit testimony on the impacts of sugar production on the Everglades ecosystem and on the impacts of sugar production on the economics of Everglades restoration. I especially want to thank Chairman Lugar for his dedication to Everglades restoration. In 1995, he was the first Member of Congress to introduce legislation to assess Florida sugar producers a two-cent per pound fee to help finance cleaning up some polluted sugar runoff.

INTRODUCTION

In 1997, the Everglades was identified by the World Wildlife Fund as one of the most biologically significant and critically endangered ecosystems in the world. The history of the Everglades is as ancient as the layers of limestone that form its base, the oldest and deepest of which date to the Jurassic period when the North American and African continents were joined together. The forces that caused the Florida peninsula to emerge from the sea were the massive, global forces of glaciation, sea level fluctuation, plate tectonics, wave action, and climate change. This emergence eventually gave birth to the Everglades some 5,000 years ago.[i]

Over the course of 5 millennia, the Everglades evolved into an entirely unique ecosystem, which resembles a few other systems in the world, but cannot be wholly classified with them. Five thousand years of fire, hurricane, drought and flood formed the Everglades as

it existed 100 years ago, but in the single century since then dredging, drainage, pollution, and water management have reduced the historic Everglades to a shadow of its former self.

Marjory Stoneman Douglas pointed out that "the shores that surround the Everglades were the first on this continent known to white men. The interior was almost the last."[ii] The great irony of the modern Everglades is that the aspects of the system which ensured its isolation from Europeans for so long - its vastness, flatness, abundant water, balmy climate and deep muck soil - are the very attributes that eventually made it vulnerable to manipulation on a massive scale. The technology required to carve up and drain the Everglades was relatively crude and simple once the will to do so developed in people who understood the scale at which the Everglades needed to be tackled. That will and understanding coalesced only in the second half of the 20th century. The construction of the Central & Southern Florida Flood Control Project and other components of the regional drainage system between 1947 and the early 1970s, which occurred in response to appeals from within the state for drainage, transformed the Everglades into its modern state by converting hundreds of square miles of the ecosystem to open land for agriculture and urban development.

THE MODERN EVERGLADES

Today the Everglades is an ecosystem in drastic decline. It has been reduced to half its original size, polluted by agricultural and urban runoff; and deprived of much of its water. This water, which once fueled the ecosystem's ecology, has been diverted to other uses and pumped out to sea for the purpose of flood control.

That the Everglades cannot survive in its current state and rate of decline is a widely accepted fact. That south Florida's economy and quality of life are dependent on a healthy Everglades ecosystem, the region's only source of potable water and one of the engines that drives its climate, is also a widely accepted fact. Government has responded to grim predictions of the region's future by attempting, over the past 15 years, to address the factors responsible for the decline of the Everglades. Ultimately government realized that a massive re-configuration of C&SF Project was necessary to reverse the decline of the Everglades. Eventually, a restoration plan was devised to serve as a blueprint for this re-configuration. That plan is currently being considered for authorization by Congress.

But restoring the Everglades is no small task, particularly given the presence of cities and farms where there were once wetlands, and the abundance of people (5 million) where once there were barely a few thousand. The challenge lies in balancing the needs of a restored ecosystem with the needs of the citizens of south Florida, and doing so in a way that is fair to taxpayers and to the public at large. Unfortunately, there are great economic distortions in south Florida which are rooted in the long history of public subsidy of private interests and which make it nearly impossible to fairly distribute the costs and benefits of a restored Everglades.

THE EVERGLADES AGRICULTURAL AREA AND ITS IMPACT ON THE EVERGLADES

The location of the Everglades Agricultural Area (EAA) relative to Lake Okeechobee and the central Everglades, the ecological function it historically performed, and its current role in Everglades hydrology make it a critical piece of the Everglades restoration puzzle. The EAA occupies what was once a soggy pond apple forest that opened into a vast and impenetrable sawgrass prairie. The primary ecological function of this area was the dynamic *storage of water* that *flowed* under and across it into the central Everglades. The depth of this water fluctuated with the flood/drought cycle between six inches and 2 feet above the muck surface. When the area was drained, at public expense, to make way for agriculture, the Everglades lost this enormous storage "reservoir", the central storage area in the Everglades that began the slow, wide shallow flow of water south.

Ironically, once it was transformed into the EAA, the former sawgrass plain came to serve the exact opposite role in the ecosystem. Not only could the area no longer store water for delivery to the central Everglades, but its crops, mostly sugarcane, actually required massive *drainage*. Today, water levels are almost always drawn down well *below* the ground surface to protect the sugar root zone from inundation. What happened to the water that was historically "stored" in the EAA? It is transported to other parts of the system, or flushed out into the coastal estuaries and the ocean, by the C&SF Project. To comprehend the scale at which this transferal happens and the ecological destruction that ensues from it, one need only understand the relationship of sugar production to rainfall in south Florida.

According to data compiled by the USDA, there in fact appears to be virtually *no* relationship between rainfall in the EAA and tons per acre sugar yield over the past two decades. The data shows that sugarcane yield has remained steady or increased in the Everglades Agricultural Area, despite comparatively dramatic fluctuations in rainfall and drought conditions in the region across the same period. In other words, even in years when it should have been more difficult to grow sugar in south Florida, EAA yields show that production continued unfettered by the climate.

The explanation for this remarkable incongruity is actually very simple. The EAA is permitted to transfer climate related adversity that it would otherwise face to Lake Okeechobee, the central Everglades and coastal estuaries. This adversity is shouldered by the species who depend on these systems and by the citizens of south Florida who depend on them for livelihood and recreation. It is during periods of high rainfall that the enormity of the EAA's impact on the region becomes most dramatically evident. Even during periods of record rainfall, like the El Nino event of 1998, sugar producers in the EAA are permitted to drain their lands into the Everglades Protection Area and the coastal estuaries even when doing so causes ecologically devastating high water levels in the central Everglades and Everglades National Park, and causes mass destruction in the estuaries. Thousands of tree islands in the central Everglades have been killed or are on the verge of destruction due to excessive flooding. This flooding is exacerbated by the use of the central Everglades as a reservoir for urban water supply. Endangered species like the wood stork, snail kite and Cape Sable Seaside sparrow are unable to forage and nest in flooded habitat.

Lake Okeechobee is operated by the US Army Corps of Engineers as a storage reservoir to hold back water that would have historically flowed underneath and across the 700,000 acres of the EAA. When high water levels become lethal for the Lake's ecology, water managers try to alleviate the pressure by releasing it east and west to the coastal estuaries. Unfortunately, the Lake water is often so polluted by the time it is released, that plumes of nutrient laden fresh water stretch for miles into the fragile estuarine systems on either coast causing massive fish kills and other ecological damage. These "pulse" or "regulatory" releases of freshwater, as they are locally known, also wreak havoc on the delicate salinity balances in the coastal estuaries. Finally, Lake Okeechobee itself, which suffers from a myriad of pollution and water management problems in addition to those caused directly by the EAA is very near total ecological collapse.

Altered hydrology and transferred flooding are not the only impacts the EAA has had on the Everglades. Sugar production is the direct cause of severe water quality degradation in the central Everglades and contributes to the water quality problems in Lake Okeechobee. The Everglades is very specifically a "low phosphorus" system, which is one of the characteristics that defines its ecology. Sugar growers are therefore required to intensively apply fertilizers to their fields, which they subsequently drain off and dump into the publicly owned Everglades. Normal levels of phosphorus in the Everglades are ten parts per billion or less. Phosphorus runoff from sugar production is in the ***hundreds*** of parts per billion. Such levels might not sound significant on paper, but in practice, they have huge and deleterious consequences for the Everglades. Not only do high phosphorus levels cause vegetative changes in the marsh – cattails take over where once only native grasses would grow – but phosphorus also affects the microscopic algae (or periphyton) that form the base of the Everglades food chain. These micro-organisms sustain the smallest creatures in the Everglades – its mosquito fish, fresh water shrimp, etc. – creatures which provide forage for better known Everglades fauna like wading birds. Without adequate periphyton, prey fish decline and with them larger Everglades birds.

Finally, the cultivation of the EAA has resulted in the dramatic loss of soil, which is locally known as "subsidence." Subsidence of muck soils occurs when they are exposed to the atmosphere, allowed to oxidize and in effect "disappear", which occurs when the soils are cultivated. The historic Everglades contained soil systems that stored water, removed nutrients, and comprised the largest peat deposit in the world. Everglades soils in the EAA have been drastically reduced in scale and particularly in function. There are areas of the EAA which have experienced in excess of 12 feet of soil subsidence. Much of what remains has been rendered ineffectual from the standpoint of Everglades hydrology and water quality management.

WHAT WILL IT TAKE TO RESTORE THE EVERGLADES?

In 1994 the US Army Corps of Engineers determined that the only way to reverse the decline of the Everglades was to restore the quantity, quality, timing and distribution of water in the system. We must stop flushing water into the estuaries and the ocean. The water must be cleaned and then released in quantity and distribution patterns that mimic, to the extent they can, those of the historic Everglades. To accomplish this, we must first have adequate places to store water that would otherwise be flushed to the ocean. There are two ways of storing water in south Florida: above the ground and under the ground.

If we store water above the ground, the public must purchase land upon which storage reservoirs and/or restored marshes may be constructed. In order to store water underground, we must install hundreds of "Aquifer Storage and Recovery" wells (ASR) into which wet season water will be pumped, stored and then recovered and cleaned for distribution in the dry season.

The Comprehensive Everglades Restoration Plan (CERP), which was developed between 1996 and 1999, is the "roadmap" for building storage back into the system, redistributing water, and restoring the Everglades. The plan calls for the combined use of surface and ASR storage, including 60,000 acres of surface storage on the Talisman lands located in the EAA. The Everglades Coalition has argued for years, that it is more ecologically beneficial to store water throughout the system above the ground than it is to store water deep below it in ASR wells. This position is based on the fact that water was stored above and immediately below the muck surface under historic conditions, and served multiple functions including providing habitat, pollution filtration, and contributing to climate conditions, that would not be served by water stored in ASR wells. With regard to water storage in the EAA, the Coalition in 1997 adopted the position of the National Audubon Society that government should seek to bring into public ownership a minimum of 150,000 acres, as sugar lands come out of production for whatever reason, to dedicate to water storage between Lake Okeechobee and the central Everglades.[iii]

As a roadmap to restoration, the CERP is a flexible plan that can change as opportunities for doing things "better and smarter" present themselves over the course of the 30 year plan implementation process. The plan refers to this flexibility as "adaptive management". The Coalition will continue to advocate that the Corps of Engineers explore and take advantage of opportunities throughout the system, and in particular in the EAA, to maximize the extent to which surface storage is utilized over ASR storage. This means the Coalition will continue to urge the government to buy land in the EAA, where water storage is so important, and dedicate that land to water storage.

THE PUBLIC PAYS A HUGE PRICE FOR SUGAR CANE TO BE GROWN IN SOUTH FLORIDA

Profitable, large-scale sugar production in south Florida relies on massive public subsidy, including a federally financed flood control system (the C&SF Project) and the federal sugar price support program.

The federal flood control system, which includes the massive 35-40 foot high Herbert Hoover dike around the south rim of Lake Okeechobee, shunts large quantities of water from the Lake and the EAA to the Atlantic Ocean and coastal estuaries. Without this vast system of canals, levees, and flood control gates, sugarcane could not grow in much of South Florida. Indeed, sugarcane root systems are highly intolerant of high water levels. Without a federally funded system to rapidly dry down floodwater, sugar cane production could not have increased in South Florida to occupy the approximately 500,000 acres it occupies today.

In addition to subsidizing flood protection and water supply for sugar production in the EAA, the public is being asked to pay over $800 million in research, construction, operations, maintenance and other costs associated with cleaning up phosphorus laden runoff from the EAA. By contrast, sugar producers will pay just over $230 million or approximately 28% of the cost of cleaning their own pollution. The clean up effort and the corresponding producers' contribution to it came only as a result of a consent decree settling federal litigation against the state of Florida for failing to enforce water quality standards, and subsequent state legislation establishing a process for determining and implementing new water quality standards for phosphorus.

THE SUGAR PROGRAM DOES NOT WORK FOR THE EVERGLADES

The federal sugar price support program inflates profits in the EAA, distorts the economy of growing sugar making the rational distribution of benefits and costs of Everglades restoration impossible, and provides incentive for overproduction which contribute to the destruction of one of this nation's most valuable natural resources. From the perspective of the Everglades and south Florida, the program should be phased out when Congress considers reauthorization of the Farm Bill.

Phasing out the price support program will drastically alter the economics of growing sugar in south Florida. Marginal lands that are only profitable to farm because of price supports will likely come out of production, thus reducing the pollution loads into, and water management conflicts with, the Everglades. So long as sugar growers are guaranteed a large profit per pound by having the U.S. price of sugar set at close to twice the world price, there will continue to be artificial incentives to expand sugar cane growing in the Everglades. Indeed the program has resulted in Florida becoming the origin of nearly a quarter of the sugar produced in the United States. The federal sugar price support program is also helping to destroy the American Everglades, at a time when taxpayers are faced with paying billions of dollars to bring the ecosystem back to life. Phasing out the federal sugar program is consistent with the $8 billion CERP which is currently being considered by Congress. The sugar program is not compatible with the restoration effort because it distorts the economy of growing sugar in the EAA by artificially inflating land values, and creating the public impression that growing sugar on these lands is of greater "value" than using if for water storage, which without the program, simply may not be true. Economic distortion inhibits our ability to make sound decisions about how best engage in the adaptive management process outlined in the CERP to benefit the Everglades and the people of south Florida.

From an ecological perspective, when it was part of the Everglades, the EAA stored billions of gallons of water and provided 700,000 acres of wildlife habitat. It was a central piece of the River of Grass. Phasing out the sugar price support program won't take sugar, or agriculture for that matter, out of the EAA; the other public subsidies of water supply and flood control are too valuable and enabling on their own. Besides, we may discover that growing sugar is the highest and best use of some percentage of the land in the EAA. The bottom line is that we simply cannot determine the highest and best use of land in the EAA while the price support program distorts the economics of growing sugar there. One thing is certain: phasing out the sugar program will remove a critical layer of subsidy that, while it didn't create the EAA, has certainly come to define its size and maximize its impact on the Everglades.

BUY LAND, NOT SUGAR

Unless or until the sugar program is phased out, the Congress and the administration will periodically face the decision of whether to buy sugar or face loan defaults. Decisions to buy sugar simply encourage the growth of still more sugar and so on in a continuous cycle of misplaced incentive and cost to consumers. As an alternative to buying sugar, the government could choose to purchase land in the EAA taking it permanently out of sugar production, thereby ending the cycle of overproduction and buy back that is so destructive to the Everglades. While not every landowner will want to sell, some undoubtedly will. A vigorous willing seller program will save considerable money in sugar buy backs and storage costs, and will help the Everglades.

I want again to thank Chairman Lugar and the Committee for the opportunity to present the view of the Everglades Coalition on this important issue. I welcome any questions the Committee may have on the Coalition's position.

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[i] Lodge, Thomas E. 1994 *The Everglades Handbook*. St. Lucie Press, Delray Beach, Florida.
[ii] Douglas, Marjory Stoneman. *The Everglades: River of Grass* (revised edition). Pineapple Press, Sarasota, Florida.
[iii] The Everglades Coalition. 1997 *Strategies for Success*, 13th Annual Everglades Coalition Conference, Key Largo, Florida

Testimony of
Ray VanDriessche
President
American Sugarbeet Growers Association
before the
Senate Committee on Agriculture, Nutrition, and Forestry
Washington, D.C.
June 26, 2000

My name is Ray VanDriessche, My brother and I are sugarbeet, corn, soybean and dry bean farmers from Bay City, Michigan. As President of the American Sugarbeet Growers Association, I represent over 12,000 family farmers who grow sugarbeets in 12 states.

Mr. Chairman, before I speak to the crisis our farmers are facing, it is critical to set the record straight on three basic points.

First, the U.S. sugar industry is efficient and globally competitive. Beet sugar produced in the U.S. is the lowest cost among beet sugar producers worldwide (Chart #1). This has been achieved through creative and innovative use of new technology and massive investments on our farms and in our factories to lower production cost. As our input costs rise and the prices we receive for our sugar have declined, lowering cost is crucial to our survival.

In fact, over half of the sugar produced in the world is produced at a higher cost than U.S. beet and cane sugar (Chart #2). This is even more impressive when one takes into account that three quarters of the world's sugar is produced in developing countries that have substantially lower health, safety, labor, and environmental standards and costs than those in the U.S. If our global competitors were held to the same standards that we must adhere to for producing sugar, most would not be in business.

The U.S. sugar and sweetener industry has a comparative advantage and an economic right to produce this essential ingredient for our market. Our nation has the largest and most sophisticated food processing industry in the world and needs a reliable supply of 45 different sugars and syrups.

Second, the world sugar market is a dump market. The price of sugar on the world market does not reflect its cost of production. Chart #3 shows that the average price of sugar on the world raw market for a 10-year period is about one half of the average worldwide cost of production of raw sugar during that same period. The world sugar market is the most distorted commodity market in the world, and governments around the world intervene in their industries and markets, as evidenced by Charts #4, 5, and 6.

Foreign export subsidies and dumping practices shift the threat of price collapse and injury from their domestic markets to our market and threaten our more efficient domestic producers here in the U.S. Sugar policy in the U.S. has been a proper response to these predatory trade practices of our competitors. If one wishes to make a fair comparison of what sugar costs in the world, then U.S. prices should be compared with prices of equivalent quality sugar in other comparable consumer markets. We have made those comparisons and found that the U.S. consumer pays 20 percent less for refined sugar than the average consumer in other developed countries. Any comparisons of U.S. sugar prices against the world dumped market price is made either out of ignorance, foolishness, or the intent to deceive those who are not informed of the facts.

Third, lower sugar prices are not passed on to consumers. Industrial users, like the ice cream and chocolate manufacturers, purchase the majority of sugar in this country. The evidence is clear that savings on lower priced sugar is not passed on to the consumer. Chart #7 shows the decline in U.S. sugar prices since the beginning of the 1996 Farm Bill and the continued increase in the price of sugar containing products. There has never been any evidence of pass through of savings to consumers. These attacks by our customers on our industry and our policy are motivated by additional profits while driving us out of business.

Mr. Chairman, I think it's time to let the rest of the country in on a secret as to why there is so much controversy over sugar. The big corporate sugar users join together to attack sugar policy because they actually have to pay the farmer for the cost of the commodity in the marketplace. You never hear them whine about the billions of dollars the government spends on other commodities that are necessary to rescue farmers from economic disaster. That is because such policies allow the big corporate users to purchase commodities below the farmers' cost of production, shifting the cost to the taxpayer. In the end, the farmer is blamed for government cost, survives but does not prosper, and the big user reaps the benefit of commodities priced below the farmer's cost and does not pass the savings on to the consumer. This is a story all of agriculture should be telling.

Mr. Chairman, last Friday I met with the grower leaders in our industry, and they have asked me to convey to you and to this Committee that economic crisis is plaguing our industry. This is not a crisis of a particular group of growers, or growers in a particular region. Without exception, this economic crisis is hitting every grower throughout the industry because every grower's income is directly tied to the price of refined sugar. As evidence of this, Chart #8 (Beet Sugar Price & Forfeiture Range) shows the collapse of the refined sugar market since late last year. Refined sugar prices have dropped by thirty-four percent since the beginning of the 1996 farm bill, and now prices in every production region are well below the forfeiture price. The current market conditions have not only put our farmers at risk, but also our processing factories, their workers, and our rural communities.

The price collapse is a result of three factors.

1. Tariff rate quota circumvention by stuffed molasses from Canada;
2. Threat of increased Mexican imports under the NAFTA;
3. Increased domestic production that is a result of:
    a) Lack of profitable alternative crops
    b) Three consecutive years of good weather that produced excellent crops.
    c) Companies attempting to maximize efficiencies by greater throughput.

For fifteen years, the U.S. sugar policy has run at no cost to the taxpayer, and in the last decade, sugar producers contributed $279 million in marketing taxes to help reduce the reduce the federal budget deficit. We do not believe that any other U.S. agricultural commodity program has a more exemplary history of fiscal responsibility. This was achieved because we had a balanced market and both the legislative authority and the Administrative tools to properly balance supply and demand. The major reforms of the 1996 Farm Bill and the effects the NAFTA and Uruguay Round import commitments have thrown our industry into our current crisis. Congress has appropriately stepped in over the past 5 years with billions of dollars to assist other commodities that have been and are currently in an economic crisis. We believe our industry is equally threatened and deserves some form of relief.

We have encouraged the Administration to purchase a minimum of 370,000 tons of sugar to bring supply and demand into greater balance and help strengthen prices, and avoid larger forfeitures. The initial purchase of 132,000 tons is equivalent to the approximate amount of sugar that is circumventing the tariff rate quota from Canada in the form of stuffed molasses. In fact, this minimal purchase has had the opposite effect, and market prices have in fact dropped. Over the course of the next two months, the Administration will have to decide whether it will purchase additional sugar to avoid greater amounts of forfeitures. Our industry believes that immediate purchases are a more fiscally responsible option at this time.

When we prepared our land last fall for sugarbeets and signed our legal and binding contracts with our processor last winter to produce a crop this year, farmers and bankers did so on the basis that there would be a safety net for the price of sugar through the non-recourse loan program. If recourse loans were to be imposed, it would pull the rug out from under our farmers and our financial commitments to our bankers, posing an additional and significant threat to the entire industry.

The irony is that in spite of such circumstances, under the current law and international trade agreement obligations, the United States would still be obligated to import an amount of sugar equal to about 12% of our market; we would be obligated to absorb a portion of Mexico's surplus sugar production; and sugar could still be imported into this market in the form of stuffed molasses, quota free, and the sugar could be spun out and further distort the domestic market.

CONCLUSION

Mr. Chairman, four things need to be fixed immediately to save our farmers and our industry. First, the Administration must buy more sugar to avoid massive forfeitures. Second, we must retain non-recourse loans for the crop we are about to harvest. Third, the circumvention of our tariff rate quota from products like stuffed molasses must be stopped. And finally, we need to resolve the dispute with Mexico over the NAFTA provisions.

Thank you, Mr. Chairman, for this opportunity to bring the concerns of our growers to your Committee, and we look forward to working with you to resolve these matters.

Chart 1

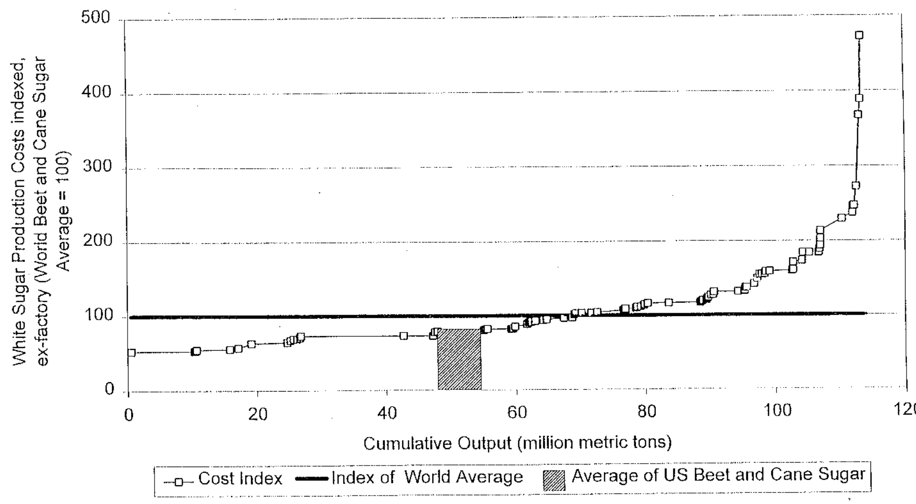
U.S. Cost of Production Rank Among World Sweetener Producers, 1994/95

	U.S. Rank	Number of Producing Countries/Regions
Beet Sugar	1	35
Cane Sugar	29	62
All Sugar	**18**	**96**
Corn Sweeteners	1	15
All Sweeteners	**12**	**112**

Source: "A World Survey of Sugar and HFCS Field, Factory and Freight Production Costs: 1997 Report," LMC International Ltd., Oxford, England, 1997.

Chart 2

Cumulative Cost Curve for all Beet and Cane Sugar Producers, 1994/95

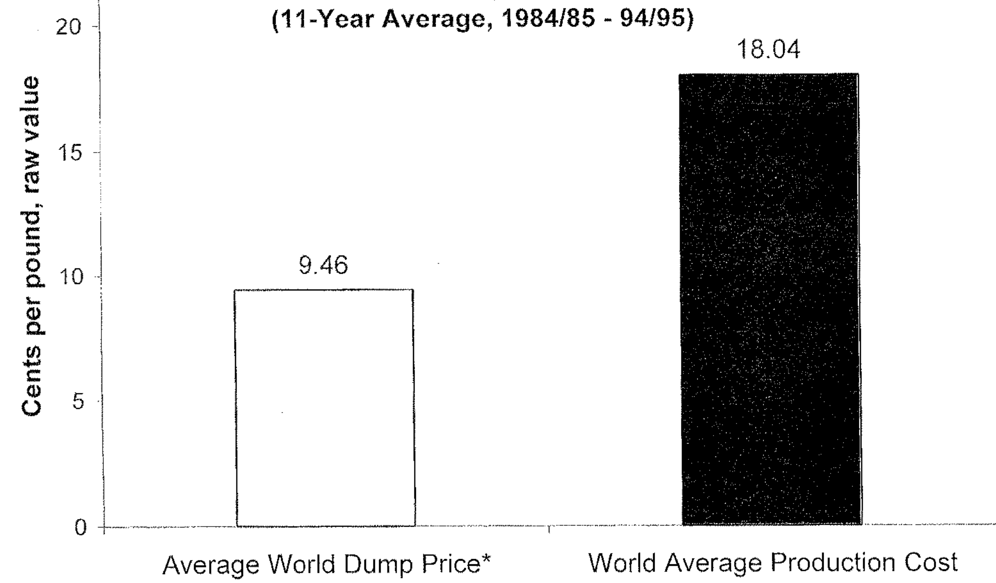


SOURCE: "A WORLD SURVEY OF SUGAR AND HFCS FIELD, FACTORY AND FREIGHT PRODUCTION COSTS: 1997 REPORT"

Chart 3

World Sugar Dump Market Price Less Than Half The Cost Of Producing Sugar

(11-Year Average, 1984/85 - 94/95)



* New York contract #11, f.o.b. Caribbean ports.
** "A World Survey of Sugar and HFCS Field, Factory and Freight Production Costs: 1997 Report," LMC International, Oxford, England, August 1997.

lmccop-7/97

Chart 4

Summary of Policy Measures in Selected Countries, 1997

Cuba	4	5	6	9	10	11	12
European Union	3	4	5	6	8	9	12
Brazil	2	4	6	7[4]	9	12	
Poland	4	5	6	8	9	12[7]	
India	4[5]	5	6[6]	9	12		
Thailand	4	5	6	9			
Turkey	4	5	6[9]	12			
Australia	1	9	10[3]	11			
China	4	5	6	12			
United States	4	5	6[10]	12[11]			
Russia	4	5	12[8]				
Philippines	4	9					
Mexico	4						
Argentina	4						

Production Controls[1]
1. Land Quotas
2. Production Quotas
3. HFCS Quotas

Domestic Price Support
4. Import Tariff
5. Non-Tariff Barriers[2]
6. Fixed/Minimum Sugar Prices
7. Regional Subsidies
8. Export Subsidies

Marketing Arrangements
9. Domestic Market Sharing/Sales Quotas
10. Single Channel Marketing - Domestic
11. Single Channel Marketing - Export

Growers/Processor Relationships
12. Fixed/Minimum Crop Prices

1. These controls refer to absolute limits on total cane, beet or sugar production, rather than controls on the volume of sugar that can be sold in domestic or preferentially priced markets (see Marketing Arrangements).
2. These include measures such as the retention of single-channel import agencies, the requirement for import licenses and import quotas.
3. In Queensland, the Sugar Corporation is the sole seller of raw sugar in the domestic market. Refined sugar is marketed independently by individual refiners.
4. The North/Northeast receives a higher institutional anhydrous ethanol price. However, it is expected that ethanol prices will no longer be set, beginning May 1998.
5. Although the government has the right to set an import tariff of up to 150%, it usually waives this right, and tariffs have been set at 0% for the past three years.
6. For the 40% of the (levy) sugar that is sold through the Public Distribution System, the government establishes a fixed price. For the remaining 60% of sugar, the price is determined by market forces, but the government is able to exert considerable influence over these prices.
7. There is no national sugarbeet price; the price is negotiated privately between growers and processors.
8. Most sugarbeets are processed on a payment-in-kind basis, under which beet producers deliver beets for processing and receive as payment white sugar equal to about 70% of their beet deliveries. The exact share varies from factory to factory, and from season to season.
9. Although the government continues to announce ex-factory prices for sugar, because Turkseker is no longer the sole seller of sugar, these represent more of a guide than a mandatory price.
10. Applies only when the tariff-rate quota is greater than 1.5 million short tons and loans are non-recourse.
11. Applies only to sugar under loan when loans are non-recourse (i.e., when the tariff-rate quota is greater than 1.5 million short tons).

Source: "A World Survey of Sugar and HFCS Field, Factory and Freight Production Costs: 1997 Report"

Chart 5

LMC

Summary of Policy Measures in Selected Countries, 1997

	Production Controls [1]			Domestic Price Support					Marketing Arrangements			Grower/Processor Relationships
	Land Quotas	Production Quotas	HFCS Quotas	Import Tariff	Non-tariff Barriers [2]	Fixed/Minimum Sugar Prices	Regional Subsidies	Export Subsidies	Domestic Market Sharing/ Sales Quotas	Single Channel Marketing Domestic	Single Channel Marketing Export	Fixed/Minimum Crop Prices
Argentina				✓								
Australia	✓								✓	✓[3]	✓	
Brazil		✓		✓		✓	✓[4]		✓			✓
China				✓	✓	✓						✓
Cuba				✓	✓	✓			✓	✓	✓	✓
EU			✓	✓	✓	✓		✓	✓			✓
India				[5]	✓	✓[6]			✓			✓
Mexico				✓								
Philippines				✓					✓			
Poland				✓	✓	✓		✓	✓			[7]
Russia				✓	✓							[8]
Thailand				✓	✓	✓			✓			
Turkey				✓	✓	[9]						✓
US				✓	✓	✓[10]						✓[11]

Notes:
1. These controls refer to absolute limits on *total* cane, beet or sugar production, rather than controls on the volume of sugar that can be sold in domestic or preferentially priced markets (see Marketing Arrangements).
2. These include measures such as the retention of single-channel import agencies, the requirement for import licences and import quotas.
3. In Queensland, the Sugar Corporation is the sole seller of raw sugar in the domestic market. Refined sugar is marketed independently by individual refiners.
4. The North/Northeast receives a higher institutional anhydrous ethanol price. However, it is expected that ethanol prices will no longer be set, beginning May 1998.
5. Although the government has the right to set a import tariff of up to 150%, it usually waives this right, and tariffs have been set at 0% for the past three years.
6. For the 40% of the (levy) sugar that is sold through the Public Distribution System, the government establishes a fixed price. For the remaining 60% of sugar, the price is determined by market forces, but the government is able to exert considerable influence over these prices.
7. There is no national sugarbeet price; the price is negotiated privately between growers and processors.
8. Most sugarbeets are processed on a payment-in-kind basis, under which beet producers deliver beets for processing and receive as payment white sugar equal to about 70% of their beet deliveries. The exact share varies from factory to factory, and from season to season.
9. Although the government continues to announce ex-factory prices for sugar, because Turkseker is no longer the sole seller of sugar, these represent more of a guide than a mandatory price.
10. Applies only when the tariff-rate quota is greater than 1.5 million short tons and loans are non-recourse.
11. Applies only to sugar under loan when loans are non-recourse (i.e., when the tariff-rate quota is greater than 1.5 million short tons).

SOURCE: "A WORLD SURVEY OF SUGAR AND HFCS FIELD, FACTORY AND FREIGHT PRODUCTION COSTS: 1997 REPORT"

Market Regulation Mechanisms: Summary

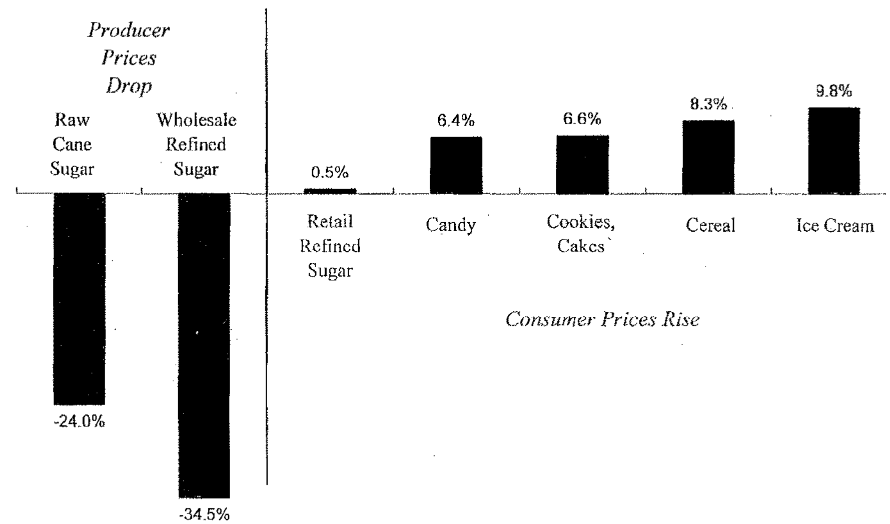
Country	Domestic Market Sharing/ Quotas	Single Channel Marketing			Licensing System		Summary
		Domestic	Export	Import	Export	Import	
Argentina							Independent marketing of sugar
Australia [1]	✓	✓	✓				Government marketing Board - **QSC** - handles 95% of raw sugar sales in Australia.
Brazil	✓				✓		Quotas & export licenses designed solely to ensure alcohol production met.
Canada							2 companies dominate the market but are open to competition from imports.
China [2]				✓		✓	State-owned trading agency - **Ceroil Foods** - handles most imports.
Colombia	✓		✓				Industry authority for export - **CIAMSA.** Mills export pro rata share of production
Cuba		✓	✓	✓	✓	✓	State-owned marketing company - **Cubazucar** - handles 100% of sugar sales
Dom. Rep.						✓	3 groups control the sugar industry.
EU	✓				✓	✓	Marketing quota system in place to remove surplus sugar from the domestic market
Fiji		✓	✓	✓			Quasi government marketing body - **Fiji Sugar Marketing Company** - handles 100% of sugar sales.
Guatemala	✓	✓	✓				2 industry authorities market 100% of sales - **DAZGUA** (domestic sales) & **ASAZGUA** (exports).
India			✓		✓	✓	Government controls releases of sugar onto market. Industry authority for exports - **ISIEC.**
Indonesia		✓		✓			State-owned trading agency, **BULOG,** handles 100% of imports & almost 100% of local sales.
Japan							Independent marketing of sugar. Regulation by quasi-government agency - **SPSA** - on marketing of sugarbeet/cane.
Korea					✓	✓	3 companies dominate the sugar sector with sole permission to make imports/exports.
Malaysia	✓				✓	✓	Much of industry is controlled by Kuok Group. Only mills & refineries are permitted to import
Mauritius		✓	✓	✓			Industry authority - **MSS** - handles 100% of sales.
Mexico					✓		Government owned marketing body - Azucar SA - abolished & sector deregulated
New Zealand							1 company dominates the domestic market but it is open to competition from imports.
Philippines	✓					✓	Quedan system establishes marketing quotas to ensure that US quota & domestic needs met
Russia							4 companies dominate the imports of sugar. Independent domestic marketing
South Africa	✓	✓	✓	✓			Industry authority - **SASA** - handles 100% of export sales & domestic market-sharing agreement.
Swaziland	✓	✓	✓	✓			Industry authority - **SSA** - handles 100% of sales (raw & white).
Thailand	✓						Month-by-month sales are controlled by the **TCSC,** whose sales of a specified volume of exports fix the cane price.
Ukraine					✓	✓	Government agency - **Ukrsukr** - controls imports & issues import licenses.
USA							No marketing alliances are permitted. Restricted competition from imports through TRQ.

Notes: 1. Applies to raw sugar only.

2. Government owned Ceroil Foods also handles most toll refining, i.e., imports of raw sugar/re-export of refined sugar.

Chart 7

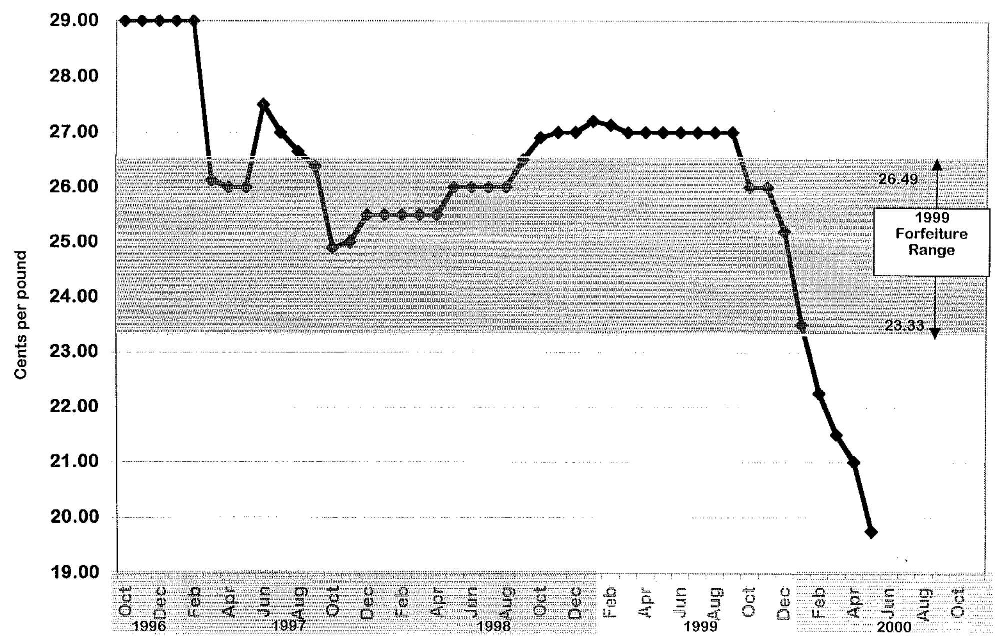
3-1/2 Years Since Start of 1996 Farm Bill: Producer Prices for Sugar Fall, Consumer Prices for Sugar & Sweetened Products Rise



Monthly avg. prices, Sept. 1996 to June 2000; July preliminary. Raw cane: Duty-fee paid, New York. Wholesale refined beet: Midwest markets. Retail prices: BLS indices. Data source: USDA. rawvsretail96

Chart 8

U.S. Wholesale Refined Beet Sugar Prices Since Start of 1996 Farm Bill



Source: USDA. Wholesale refined beet sugar, Midwest markets. Monthly average prices October 1996 - May 2000.

Testimony of James Horvath to the Senate Committee on Agriculture, Nutrition and Forestry Hearing on U.S. Sugar Policy July 26, 2000

Introduction

Mr. Chairman, Ranking Member Harkin, and Members of the Committee, thank you for the opportunity to appear before you today.

My name is Jim Horvath, and I am President and CEO of American Crystal Sugar Company based in Moorhead, Minnesota. American Crystal is the largest sugarbeet company in the United States, with five factories in the Red River Valley of Minnesota and North Dakota. As a cooperative, we are owned by 3,000 farmer-shareholders and we have 1,500 employees. American Crystal produces about fifteen percent of the nation's sugar, and through our marketing arm, United Sugars Corporation, we and our partners, MinnDak Farmers Cooperative, Southern Minnesota Beet Sugar Cooperative, and U.S. Sugar Corporation, sell one-fourth of the refined sugar in the United States.

Doing What's Right

I appreciate the opportunity to testify today because it gives the sugar industry an opportunity to explain our perspective on U.S. sugar policy. Too often the public only hears the sound bites of criticism from our opponents. As is typical, those sound bites only scratch the surface of what the true facts are about sugar policy. And those sound bites often times place blame on sugar farmers, claiming they have done so many things wrong in recent years. So I'd like to start by giving a very brief history of the sugarbeet industry in the Red River Valley and what growers have actually done right because it builds to an understanding of sugar policy today that I believe will be helpful to you and the committee.

A little over 25 years ago, sugarbeet growers in the Red River Valley were faced with a challenge. American Crystal Sugar Company, then a Denver-based corporation, was seriously neglecting the factories they owned in the Red River Valley and was threatening to shut them down. The growers could either stop growing sugarbeets and let the industry die or take tremendous risk, purchase the company, and invest in its efficiency and in their own future. The growers decided to take the challenge. They pooled their resources, bought the company, and kept alive the ability to raise sugarbeets and the thousands of jobs necessary to grow and harvest sugarbeets, and to run the factories. The growers had a vision about the future they wanted, they made logical business decisions, and they took tremendous risks. They did all this because they cared about this industry, their livelihood, and their communities.

Where did that logic and vision lead them? It led them to becoming the most efficient sugarbeet growing and processing region in the world. Through study after study, the sugarbeet industry in the Red River Valley is shown to be the lowest cost producer of beet sugar in the world. We've achieved this because we've done the best with what nature gave us: good land, a favorable growing season, and cold winters. It's value-added agriculture at its best. From the field to the factory to the food aisle, we constantly seek the precision and efficiencies necessary to compete in the marketplace.

American Crystal growers don't just grow the sugarbeets. As owners of the company, they analyze, understand, and contribute advice on all aspects of the company, from growing to processing, to transportation, to financing, and to sales and marketing.

Sugarbeet growers also take care of the environment. As a company we constantly seek new methods to lessen agricultural inputs, not just to lower growers' costs but to produce higher quality sugarbeets and to care for our soil and water resources. In fact, the U.S. Environmental Protection Agency, in its 1998 study titled "Food Production and Environmental Stewardship" singled out with praise the work we at American Crystal Sugar have done to combine company efficiencies with environmental protection. We're proud of that record. In addition, we invest millions of dollars annually in environmental upgrades to ensure that the communities in which we operate are clean, safe, and pleasant.

Finally, American Crystal growers support the regional economy. They provide thousands of jobs and contribute $2.3 billion in annual economic activity to Minnesota and North Dakota. Communities large and small across the region rely heavily on the sugarbeet industry to support businesses, schools, and essential services. (Source: NDSU study, May, 1998)

Mr. Chairman, these are just some of the things sugarbeet growers have done right. I would ask that you remember these as I discuss sugar policy concerns.

<u>Sugar Policy Today</u>

The subject of today's hearing -- that sugar policy is unsustainable given the current circumstances -- is simply not an accurate conclusion. Is it perfect policy? No, it's not perfect. But while we would prefer a more stable, predictable environment in which to do business, we must first review the fundamental facts about the industry and its policies so when the time comes to draw conclusions, these can be made based on complete information.

The first fact is that sugar prices have been flat for 15 years. Flat. Here's a chart (attached) showing nominal and real refined sugar prices since 1985. As the trend lines show, nominal sugar prices have been stagnant while real prices have dropped precipitously.

The chart also shows that since the farm bill, prices are down dramatically, taking a nosedive of 30 percent just since last year. This is the lowest level in 22 years! Prices now stand below the forfeiture level in all regions of the country.

Some people argue that in the case of sugar a flat price means a high price. Let me assure you it doesn't. Otherwise, why would seven sugarbeet processing plants have closed since 1993, with two more slated for closure next year? Profitable factories don't close; those that can't offset inflation do.

Under flat prices there's only one way to fight inflation, and it happens to be the same answer as to why we in the Red River Valley are efficient: growth. Without a strategy of growth to continually seek efficiencies and fight inflation, it is very likely that our factories would have closed. Growth is not a strategy to raise havoc; it's a strategy to survive, plain and simple.

Some people blame the current price collapse on this strategy of growth. Well, that's not so plain and simple. The poor farm economy has forced shifts in acreage. I don't need to tell this committee that returns for major program crops like wheat, corn, cotton and rice have been disastrously low several years running. That forced farmers to switch to planting sugarbeets or sugarcane. In the Red River Valley -- historically a region perfectly suited to growing wheat -- rising costs and abnormal weather have resulted in break-even or negative returns on wheat for nearly a decade. Many farmers plant wheat only because it's a good rotational crop for sugarbeets. It's only logical they would seek an alternative. This shifting of acreage, while not planned, was certainly a consequence of the flexibility provisions of the 1996 Farm Bill.

Thankfully, Congress recognized the downturn in the farm economy. It has provided over $70 billion in assistance to producers of program crops over the past four years. It's an astonishing, yet much needed and appreciated, level of assistance. But that, too, contributed to the current situation in sugar because it kept many farmers in business that, through no fault of their own, would have been forced to quit. I'm certainly not critical of the assistance Congress provided, but it's another fact that must be recognized as having an effect on sugar.

A more obvious fact is the trade agreements we've entered into, and their treatment of sugar. Quite frankly, the sweetener provisions of the North American Free Trade Agreement (NAFTA) are short-sighted and disastrous. Sure, there was a side agreement negotiated at the eleventh hour that made the original terms of NAFTA palatable for a couple years. But the bottom line is that U.S. negotiators failed miserably. The sweetener provisions of the NAFTA are flawed in numerous ways. The Agreement fails to properly recognize Mexico's ability to become a net surplus producer of sugar. It allows guaranteed imports of raw and refined sugar into the U.S. without recognition of our import needs. It allows an unlimited quantity of Mexican sugar to enter the U.S. if the economics work to pay the second-tier tariff. And it assumes that any Mexican access would have occurred fairly, as if the billions of dollars in subsidies the Mexican government provides its sugar industry to take unfair advantage of the Agreement has not occurred. Unless it's changed, NAFTA will destroy an efficient, productive U.S. industry.

To their credit, the Clinton Administration and the Mexican government have met many times over the past several years to seek a different result, one that avoids litigation and achieves a positive, long-term solution for both sides. Unfortunately, no such agreement has been reached. We at American Crystal have been supportive of these efforts and would surely prefer to avoid litigation. But let me be clear, we are not about sit by and let our market be destroyed by unfairly subsidized, dump-market sugar from Mexico.

The Uruguay Round of GATT also contributes to the current crisis in sugar. It requires the United States to import 1.25 million tons of sugar annually, or about 12 percent of our domestic consumption, whether we need it or not. This commitment goes far beyond the minimum import requirements, making U.S. sugar not only compliant with WTO rules but well in excess of our requirements. Wouldn't it be remarkable if the European Union ever made excessive reforms to its policies?

Another fact is the egregious case of stuffed molasses. The large London-based sugar trading corporation, ED&F Man, has continued to blatantly circumvent our harmonized tariff schedule in a manner that should cause all senators – supporters and opponents of sugar alike – to bristle. Through its subsidiary operations in Ontario and Michigan, ED&F Man blends low-priced, dumped world market sugar from Brazil and other countries with molasses and water. The mixture is carefully concocted to exploit a classification under the tariff code and evade U.S. import duties. It is then imported into the U.S. where the liquid sugar is separated, then the molasses is returned to Canada to start the process again. U.S. Trade Ambassador Charlene Barshefsky called it right in a May, 1999 letter to Senator Conrad in which she stated, "From a commercial perspective, these imports appear to be simply a vehicle to bring raw sugar into the U.S. market free from the tariff applicable to sugar imported outside of the tariff rate quota ("TRQ")." This sneaky scheme offends our Customs laws, our sugar policy, and our common sense. It's flat-out circumvention, and it must be stopped.

So Mr. Chairman, these facts explain the real reasons behind the sugar price collapse we are experiencing. They're obviously not sound bites. But they're facts.

<u>Forward Action</u>

To rectify the situation the sugar industry has been seeking the USDA's assistance in the form of government purchases of sugar. We are seeking this for several reasons: First, because like the rest of agriculture, the sugar industry is on the precipice of dramatic losses of farms and factories. Second, because none of the $70 billion in assistance provided to agriculture over the past four years has gone to equally stressed sugar growers. And third, because it will actually save the government money.

Thankfully on May 11, Secretary Glickman announced a modest purchase of 150,000 tons of sugar, although the final purchase amount was less: 132,000 tons. While we greatly appreciate the Secretary's action, it is simply not enough. Forfeitures of sugar under the loan program are not only possible this year, they are likely. Unless further purchases take place, the USDA is likely to be acquiring and managing significantly higher levels of stocks. The purchasing process, as Secretary Glickman stated in his announcement of the initial purchase, would cost less than forfeitures.

To his credit, though, the Secretary made a clear recommendation to the sugar industry in his May 11th announcement. He said he expects the sugar industry to come forward with additional measures to address the sugar supply.

We took the Secretary's message seriously. As you and the Committee may have heard, Mr. Chairman, a payment-in-kind program for the current crop year is under consideration by the USDA. In summarized form, the program would offer sugarbeet and sugarcane growers the voluntary option of destroying a portion of their 2000 crop in return for sugar USDA has or will be obtaining through the purchase or forfeiture process.

We at American Crystal are supportive of this concept. We believe it achieves several worthwhile objectives for the industry and the government. It quickly reduces the current oversupply of sugar by cutting the number of harvested acres this year. It saves the USDA the responsibility of obtaining and managing large amounts of purchased or forfeited sugar. It returns balance to an oversupplied market that is causing severe financial stress on sugarbeet and sugarcane farms across America. And again, it saves the government money.

We believe the combination of the purchase and payment-in-kind programs are reasonable methods of restoring balance to the U.S. sugar market. But as I said, it is a market out of balance not because of any desire to raise havoc. It is temporarily out of balance because of poor trade policies, quota circumvention, and the pure economic need to survive.

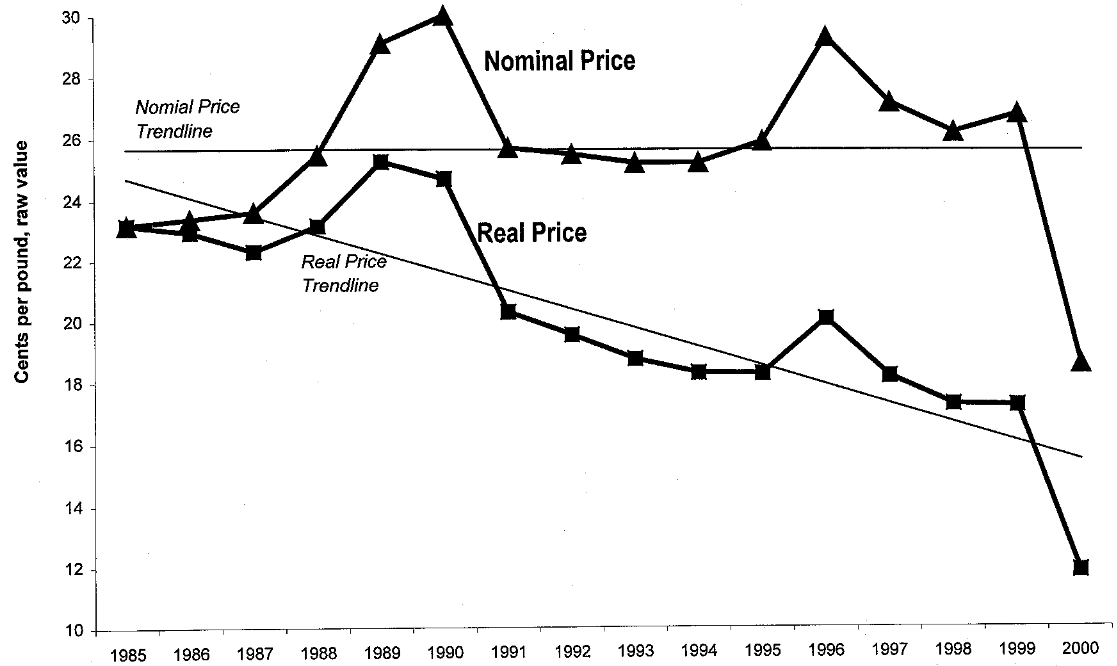
<u>Conclusion</u>

Mr. Chairman, I was the leading finance officer at American Crystal Sugar company for 13 years, and have been CEO for two. I know what it takes to run a sugar company. The farmers who own this cooperative know, too. In fact I still think it's remarkable that they've taken a nearly defunct sugarbeet company and turned it into one of the world's most efficient. As I stated at the beginning, they've done what's right to build a successful company.

Having done what's right, we believe it's also right to implement measures in the short term to restore an economic environment in which their investments and their logical strategy can fairly operate. For issues beyond that, we look forward to the 2002 Farm Bill debate which as we all know, is not that far away.

Again, thank you for the opportunity to speak to you today.

U.S. Refined Sugar Prices, Nominal and Real, 1985-2000



Data sources: USDA, BLS. Price delivered New York, duty fee paid. Annual averages 1985-99; January-June average, 2000; July preliminary.

MR. E. ALAN KENNETT

Born in Liverpool, England he is currently the President of Gay & Robinson, Inc. (G&R), a privately owned company of the Robinson family of west Kaua'i.

Prior to joining G&R he was President of Olokele Sugar Company, Limited (a subsidiary of C. Brewer & Company, Ltd.) and Director of Sugar Technology and Engineering for C. Brewer & Company, Ltd. He has worked in a number of capacities in the sugar industry beginning with Tate & Lyle refineries in Liverpool; the Ndola Sugar Company in Zambia; the St. Kitts Sugar Company in the West Indies; the Chemilil Sugar Company in Kenya before joining C. Brewer's Hilo Coast Processing Company on the island of Hawaii.

He is a graduate engineer of the Liverpool College of Technology. He is presently a Co-Chairman of the Hawaiian Agriculture Research Center formerly the Hawaiian Sugar Planters' Association.

Testimony of E. Alan Kennett
Gay & Robinson
Kaumakani, Hawaii

to the
Senate Agriculture, Nutrition and Forestry Committee
July 26, 2000
Washington, DC

Good morning, Chairman Lugar and the Members of the Senate Agriculture Committee. I appreciate the opportunity to testify before you today on the state of the domestic sugar cane industry.

My name is Alan Kennett. I am President and General Manager of Gay & Robinson (G&R). G&R is a family operated sugarcane farm and mill and cattle ranch. I have been involved in the sugar industry for 35 years beginning my sugar career in England. I have worked in Africa, the Caribbean and now fortunately, in Hawaii. Today I speak for the sugarcane farmers of Hawaii.

The Hawaiian sugar industry began commercial operations 165 years ago on the island of Kauai. G&R began sugar operations in 1897, over 100 years ago. For many years, beginning in the 1950's up through 1986, Hawaii's annual production exceeded 1 million tons sugar. It was after the 1985 Farm Bill that Hawaii's sugar production began a dramatic fall and today Hawaii produces only 330,000 tons sugar annually from 4 operating factories.

In 1986, there were 13 operating factories and sugar was grown on all of the four major islands: Hawaii, Maui, Oahu and Kauai. Today, sugar is grown only on Maui and Kauai. And earlier this month, AMFAC Sugar on Kauai announced plans to furlough 100 of its workers. [Refer to Map 1: Hawaii mill closures]

Unfortunately, since the demise of sugar on the big island, nothing has replaced sugar as a viable agricultural crop and the former cane lands remain idle, overgrown with weeds. Unemployment is high and drug usage, marijuana growing and drug trafficking have increased dramatically, as have the social problems that are created by high unemployment and drug usage. There is a great deal of concern that both Maui and Kauai will see the same occurrence should we lose our sugar industry.

G&R is a family owned farming operation employing 270 people. We also provide housing for 350 families of both current and former employees. I promised our workers that I would do my best to impress upon you the importance of this issue. I hope I have not let them down. One of my workers suggested, " have the Senate and the House Agriculture Committees come visit and see first hand the communities that remain but more importantly, the communities where sugar once thrived."

Because of Hawaii's isolation relative to our market (mainland USA) Hawaii producers incur high freight costs, which puts us at a disadvantage relative to other US sugar producing areas. We in Hawaii, like our fellow American sugar producers, are extremely concerned at the misrepresentation often directed at us by the opponents of US sugar policy. Clearly, Hawaii has not received the Congressionally approved returns from the sugar program, nor have many US sugar farmers whose livelihoods are being threatened by the dramatic fall in prices over the past year.

Oversupply and loss of market confidence in the ability of USDA to maintain a viable program have resulted in severely depressed producer prices for raw and refined sugar. The U.S. raw sugar price has plummeted about 25% since July 1999. Raw cane sugar prices have fallen from about 22.5 cents per pound to 17 cents, the lowest level in 18 years. Given current production estimates, this represents a $400 million drop in the value of the domestic cane sugar crop. [Refer to Chart 1: U.S. Raw Cane Sugar Price]

Sugar has been overlooked in government market loss assistance efforts during the farm crisis of the past several years. Net CCC outlays for other program crops exceeded $10 billion in fiscal 1998 and $19 billion last year; sugar *revenues* totaled $30 million in 1998 and $51 million last year. Nearly $30 billion is budgeted for other program crops this year. Sugar farmers are hurting too and should be included. [Refer to Chart 2: Government Revenues from U.S. Sugar Policy and Chart 3: CCC Outlays for Other Crops, Revenues from Sugar, 1996-2000]

Government action to address this problem is appropriate because so many of the factors leading to the price drop are more closely related to government action and inaction, than to producer decisions. Furthermore, the government has responded to similar price drops for other program crops by providing tens of billions of dollars in assistance over the past several years. While these expenditures on other crops are appropriate, they have had the unintended effect of worsening the beet and cane sugar price crisis, as this financial relief enables many farmers to invest in new or additional beet and cane sugar production.

Mr. Chairman, American sugar farmers ARE efficient by world standards; two-thirds of the world's sugar is produced at a higher cost than the United States. American cane growers are in the top third in global efficiency, despite domination by developing countries with little, if any, of the labor and environmental costs we face. Hawaii has the highest yields in the world in sugar per acre, sugar per worker.

However, despite these efficiencies, domestic sugar producers are facing the worst prices in two decades. But do you see any price decreases in the food you purchase at the grocery store? No. Tell me, do you ever hear your wife complain about the price she pays for sugar in the market place? On the other hand, does she complain about the increased price she pays for cereal or ice cream? The fact is prices for sugar-containing products have continued to increase even though the price that the farmer receives for his sugar has decreased. [Refer to Chart 4: Farm Prices vs. Sugar Containing Prices and Chart 5: Sugar Containing Products Survey]

In conculsion, sugar farmers in Hawaii are in serious danger of going out of business. If sugar was no longer grown in Hawaii, that would have a devastating affect on the Hawaiian economy as stated earlier in my statement.

The Hawaiian sugar industry has done much to look for ways to survive the changing economics of the US sugar industry. We have made significant efforts to become more efficient, we have continued investing in our farming operations and we have pursued alternative sugarcane by-products to provide additional and independent sources of income to the plantation. The US Government has shown compassion for other farmers in crisis, why not for sugar farmers? Please remember that sugar farmers want what all other program crops want, a fair opportunity to farm and make a reasonable living. American sugar producers' competitiveness and their disastrously low prices parallel the plight of other American farms. Sugar farmers do not want to be treated more favorably than other farmers are, just equally.

Map 1

Hawaii Sugar Mills:
From 13 in 1990 to 3 in 2001

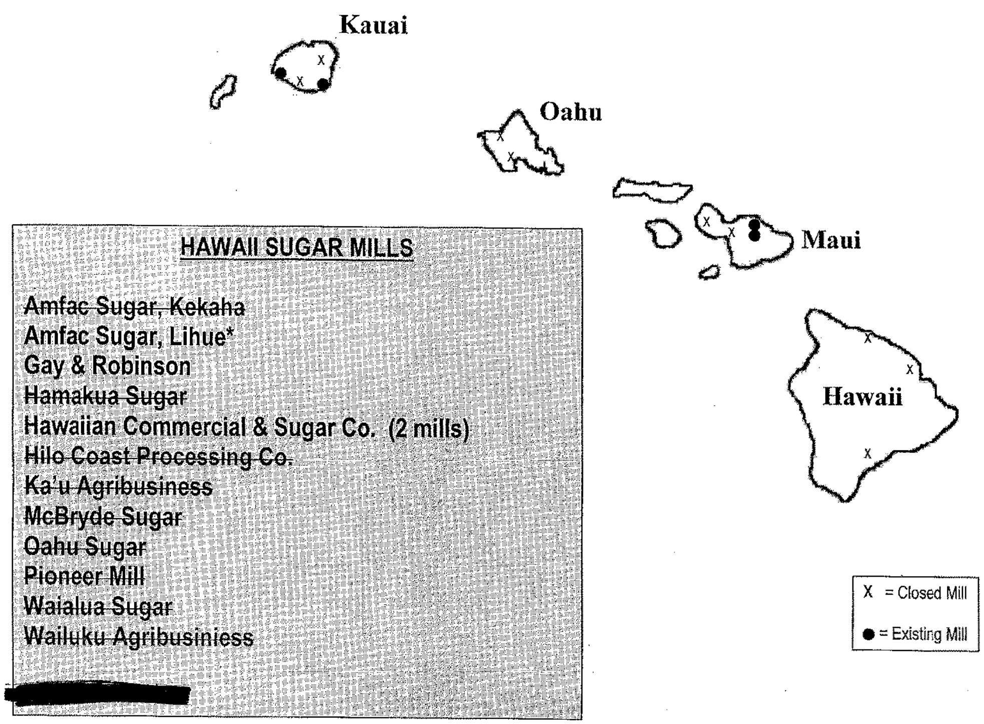
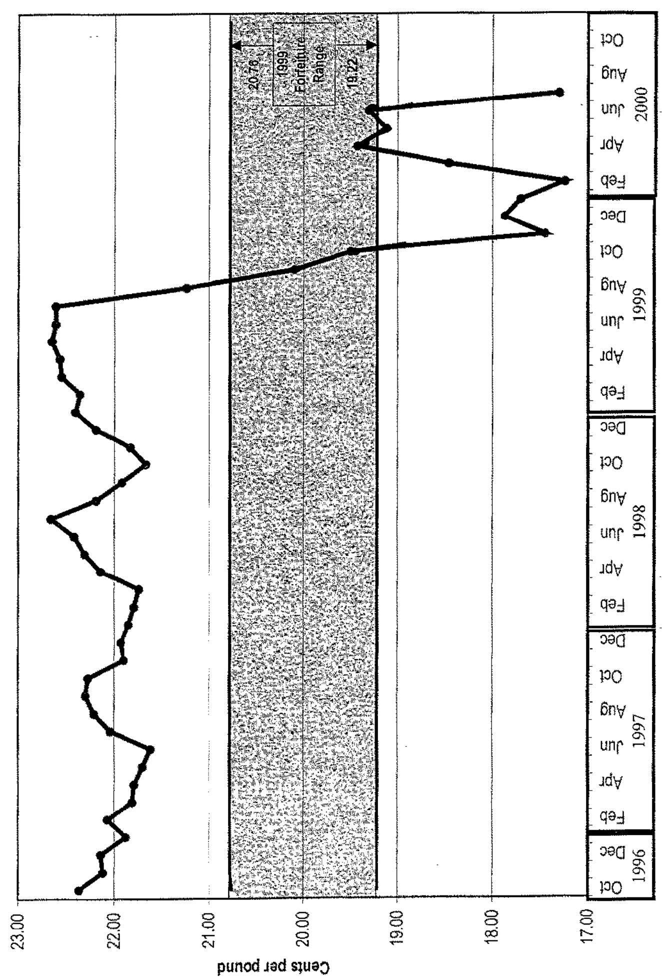


Chart 1

U.S. Raw Cane Sugar Prices Since Start of 1996 Farm Bill



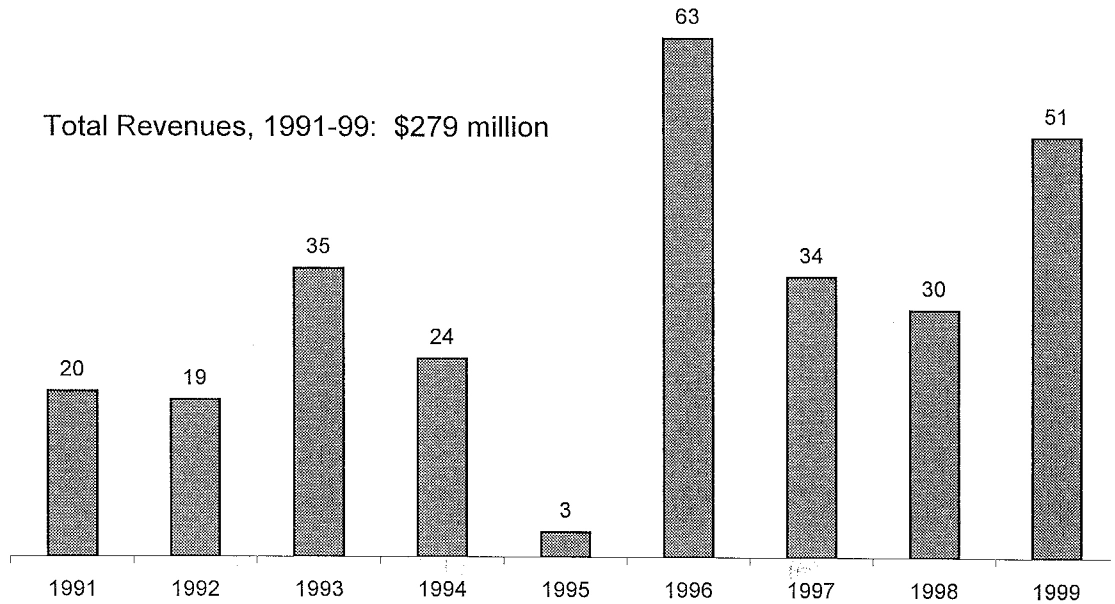
Source: USDA. Raw cane sugar, nearby #14 contract, delivered New York. Monthly average prices October 1996 - June 2000; July preliminary.

2_00 rawef1996

Chart 2

Government Revenues from U.S. Sugar Policy, 1991-99

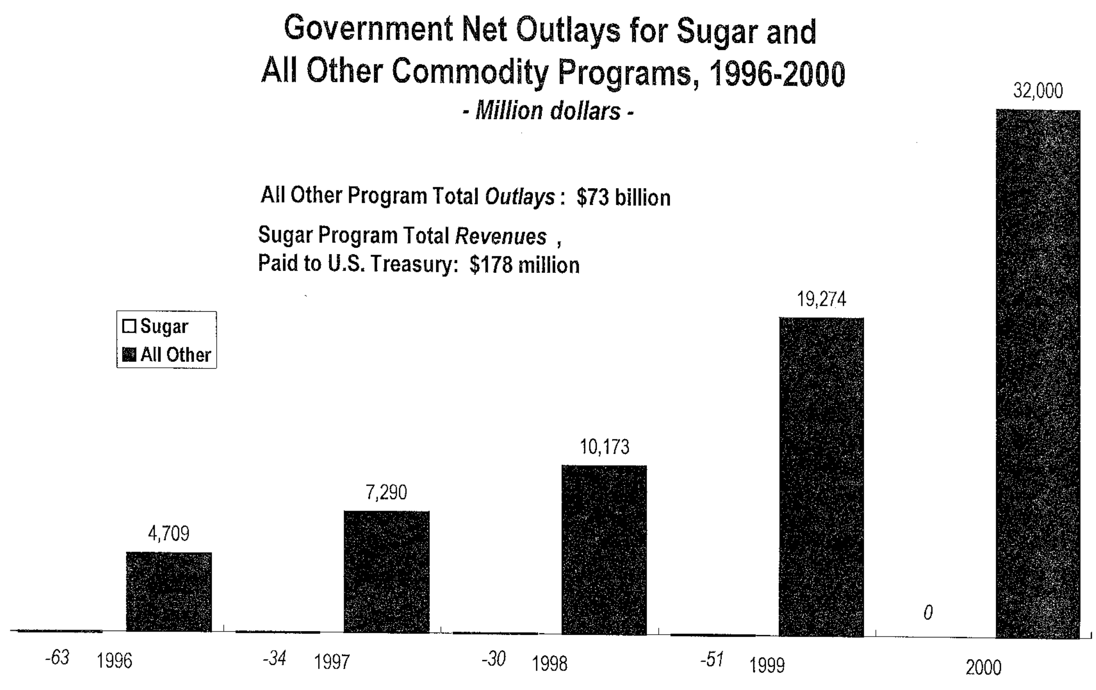
-Million dollars-



Data source: USDA/FSA, CCC net outlays for commodity programs, February 2000.

revenues

Chart 3



Data source: USDA/FSA, CCC net outlays for commodity programs, February 2000; Fiscal 2000 estimated.

CCCoutlays

Chart 4

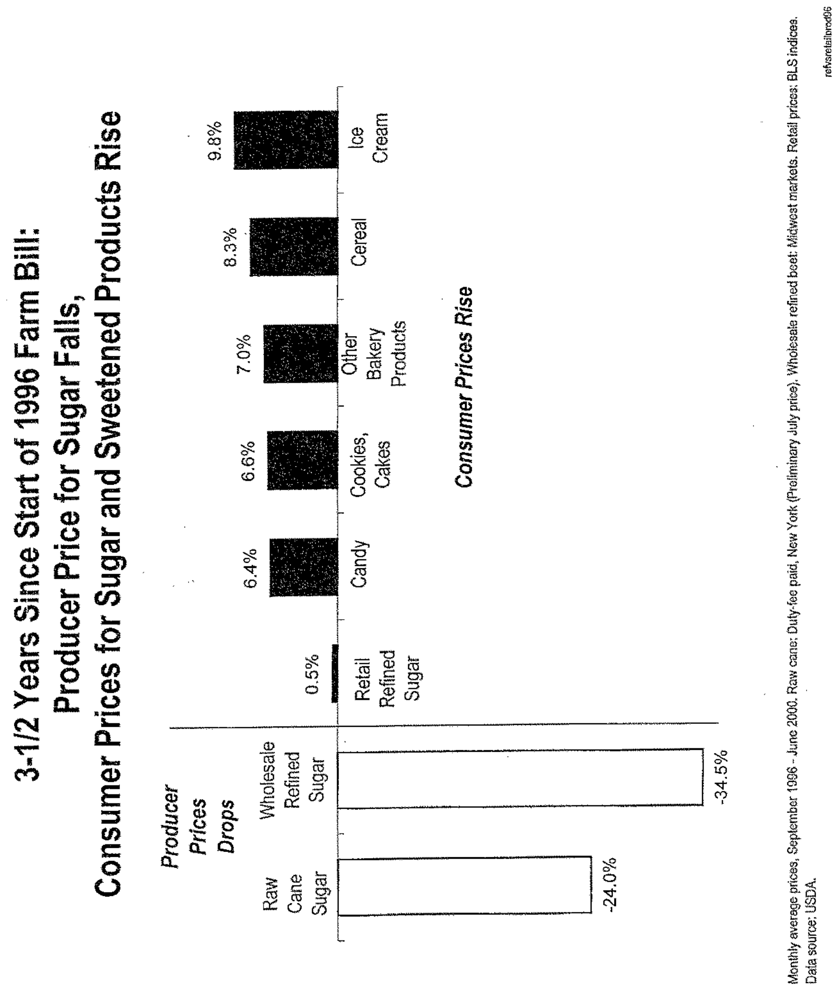

3-1/2 Years Since Start of 1996 Farm Bill:
Producer Price for Sugar Falls,
Consumer Prices for Sugar and Sweetened Products Rise
Producer Prices Drops
Raw Cane Sugar
-24.0%
Wholesale Refined Sugar
-34.5%
Retail Refined Sugar
0.5%
Candy
6.4%
Cookies, Cakes
6.6%
Other Bakery Products
7.0%
Cereal
8.3%
Ice Cream
9.8%
Consumer Prices Rise
Monthly average prices, September 1996 - June 2000. Raw cane: Duty-fee paid, New York (Preliminary July price). Wholesale refined beet: Midwest markets. Retail prices: BLS indices.
Data source: USDA.

Chart 5
(one chart - two pages

Sugar Containing Products Survey

Ice Cream/Related Items July, 2000

Item Name	Price $	Sugar Cost/ Item 1995*	Sugar Cost/ Item 2000*	Difference/ Year
Breyers Vanilla Homestyle	$5.29	14.4¢	10.6¢	3.8¢
Edy's Vanilla Homestyle	$5.39	16.4¢	12.1¢	4.3¢
Breyers Chocolate Homestyle	$5.29	15.4¢	11.4¢	4.0¢
Edys Chocolate Regular	$5.29	15.4¢	11.4¢	4.0¢
Breyers Chocolate Regular	$5.29	17.4¢	12.9¢	4.5¢
Breyers Vanilla Regular	$5.29	15.4¢	11.4¢	4.0¢
Edys Vanilla Regular	$5.39	14.4¢	10.6¢	3.8¢
Edy's Strawberry Regular	$5.39	15.4¢	11.4¢	4.0¢
Breyers Strawberry Regular	$5.29	15.4¢	11.4¢	4.0¢
Breyers Hershey Choc 1.75 qt.	$5.59	15.3¢	11.3¢	4.0¢
Breyers Reeses Cup 1.75 qt.	$5.59	15.3¢	11.3¢	4.0¢
Safeway Vanilla Homestyle	$4.65	19.5¢	14.4¢	5.0¢
Safeway Vanilla Regular	$4.65	15.4¢	11.4¢	4.0¢
Safeway Choc. Homestyle	$4.65	20.5¢	15.2¢	5.3¢
Safeway Choc. Regular	$4.65	16.4¢	12.1¢	4.3¢
Safeway Strawberry Homestyle	$4.65	18.5¢	13.6¢	4.9¢
Dairy Glen Vanilla 1.25 gallon	$6.18	41.1¢	30.4¢	10.7¢
Godiva Dark Chocolate	$4.25	4.4¢	3.2¢	1.2¢
Starbuck Java Toffe	$4.19	7.4¢	5.5¢	1.9¢
Hagen-Dazs Strawberry	$4.19	7.2¢	5.3¢	1.9¢
Hagen-Dazs Vanilla	$4.19	5.4¢	3.9¢	1.5¢
Ben & Jerry's Phish Food	$3.99	7.2¢	5.3¢	1.9¢
Ben & Jerry's Vanilla	$3.99	5.1¢	3.8¢	1.3¢
Breyers Viennata Vanilla	$3.99	6.1¢	4.5¢	1.6¢
Dove 4pk Bars	$4.75	6.1¢	4.5¢	1.6¢
Breyers 4pk Bars	$3.99	7.7¢	5.7¢	2.0¢
Klondike 6pk Bars	$4.29	8.4¢	6.2¢	2.2¢
Hagen-Dazs 3 Pk Bars	$3.89	3.8¢	2.5¢	1.3¢

* Average wholesale refined sugar price 1995: 29.2¢ per pound

** Average wholesale refined sugar price 2000 21.58¢ per pound

Chart 5
(continued)

Sugar Containing Products Survey

Hershey Products July, 2000

Item Name	Price $/¢	Sugar Cost/ Item 1995*	Sugar Cost/ Item 2000*	Difference/ Year
Hershey Bar	70¢	1.4¢	1.0¢	0.4¢
Hershey Bar with Almonds	70¢	1.1¢	0.8¢	0.3¢
Hershey Cookies and Crème	70¢	1.3¢	0.9¢	0.4¢
Mounds	70¢	1.3¢	0.9¢	0.4¢
Reese Sticks	70¢	1.0¢	0.8¢	0.2¢
5th Avenue	70¢	1.6¢	1.2¢	0.4¢
Rolo	65¢	2.1¢	1.5¢	0.6¢
Almond Joy	70¢	1.4¢	1.0¢	0.4¢
Mr. Goodbar	70¢	1.4¢	1.0¢	0.4¢
PayDay	70¢	1.4¢	1.1¢	0.3¢
Reese Cups	70¢	1.3¢	0.9¢	0.4¢
Kit Kat	70¢	1.3¢	0.9¢	0.4¢
Big Kat	70¢	1.9¢	1.4¢	0.5¢
York Patty	70¢	1.7¢	1.2¢	0.5¢
Twizzlers	70¢	1.6¢	1.2¢	0.4¢
Symphony Bar	$2.19	5.4¢	4.0¢	1.4¢
Sweet Escapes Fudge Bars	$1.59	5.7¢	4.2¢	1.5¢
Carton of Whoppers	$2.29	15.4¢	11.4¢	4.0¢
Carton of Milk Duds	$2.29	8.5¢	6.3¢	2.2¢
Bag of Minuatures	$3.29	12.1¢	8.9¢	3.2$
Bag of Hugs	$3.29	12.7¢	9.4¢	3.3¢
Bag of Kisses	$3.29	12.1¢	8.9¢	3.2¢
Bag of Chocolate Tastations	$2.59	10.9¢	8.1¢	3.2$
				2.8$
Classic Carmels	$3.25	15.5¢	11.5¢	4.0$
Chocolate Syrup Bottle	$2.29	21.8¢	16.3¢	5.5¢
Chocolate Milk Powder	$2.85	22.9¢	16.9¢	6.0¢
Chocolate Chips	$2.79	9.7¢	7.2¢	2.5¢

* Average wholesale refined sugar price 1995 29.2¢ per pound.

** Average wholesale refined sugar price 2000 (ytd): 21.58¢ per pound.

SENATE AGRICULTURE, NUTRITION AND FORESTRY COMMITTEE
HEARING ON U.S. SUGAR POLICY
JULY 26, 2000
THE HONORABLE RICHARD LUGAR (R-IN),
CHAIRMAN

TESTIMONY OF

JACK F. LAY
PRESIDENT
REFINED SUGARS, INC.
1 FEDERAL STREET
YONKERS, NY 10720

Mr. Chairman and Members of the Committee:

I appreciate very much the opportunity to appear before you today to offer a perspective on what I believe to be a needed change in direction for both U.S. and international sugar policies.

I am currently serving as the President of Refined Sugars, Inc. of Yonkers, N.Y., a cane sugar refinery that employs over 300 people in an economically challenged urban area of New York. I recently returned to the sugar industry after seven years of retirement. I was previously in the employ of the Domino Sugar Corporation for 39 years. During my career with Domino, I served in a number of positions. Ultimately I served as President of Domino.

Mr. Chairman, the structure of the sugar industry in every country of the world is cumbersome and complicated. The United States is no exception to this general rule. Sugar requires the dedication of a large number of acres of land as well as substantial capital assets-to grow beets and cane as well as provide the beet processing, cane milling and cane refining facilities to produce raw and refined sugars. Rotation of the crop on a yearly basis to reflect or anticipate swings in general commodity prices does not occur in sugar. Changes in acreage and in production to reflect wholesale or retail price levels of sugar occur more slowly and over a longer period of time. Stability, not volatility in prices, is what all sugar producers hope to achieve, so long as the price they receive is above their cost of production, or in the case of a cane refinery the cost of raw sugar acquisition plus a refining margin sufficient to cover refining costs and provide for a reasonable return on investment.

The uniqueness of sugar is the primary reason that government agricultural policies support sugar to the extent they do. The investments are large, the land use flexibility is minimal, and employment is critical. Governments respond in kind. In many countries this direct support leads to overproduction. Overproduction then leads to dumping of sugar on the world market. And, ultimately the world market price bears no relation to the actual cost of producing sugar.

In the United States, we support sugar producers indirectly. We limit imports in the hope that domestic prices will settle at levels that yield a fair and reasonable return to growers. While many decry the "intervention" of the U.S. in the domestic sugar market through USDA's administration of an import quota, we need some perspective here. The United States imports roughly 15% of our requirements, whereas most of the larger world producers are *subsidized* exporters.

It has been the position of the U.S. government and the U.S. sugar industry in international trade negotiations that all government supports of sugar, both direct and indirect, be phased out. Unfortunately, the actions of others have not matched the rhetoric. The European Union, a large exporter, has shown little interest in further internal reforms and has recently concluded several "regional free trade" agreements that specifically *exclude* sugar. Mexico has reacted to tough times by rolling over large government loans to privatized sugar groups. Even Australia, the supposed free trade paragon in agriculture, has relapsed in the last two years into more traditional patterns of conduct—coming to the financial aid of its sugar industry.

On the domestic front, the U.S. sugar policy that was adopted by the Congress in the 1996 Farm Bill presumed that the global march toward free trade would take a predictable path. The 1996 Farm Bill repealed supply management policies that attempted to limit U.S. sugar production. It also reinforced the premise that the U.S. would continue to import more than our Uruguay Round commitment of 1.2 million tons of sugar from abroad. The 1996 bill also made changes to other program crops that, in the intervening five years, have coalesced to produce an oversupply of sugar in the United States and a corresponding plunge in the price of both raw and refined sugar.

As I indicated earlier, changes in the sugar production and consumption patterns do not occur quickly. The trends that were set in motion in the 1996 Farm Bill are now showing up in a big way. In 1996, producer prices in the U.S. were at stable levels. With marketing controls repealed, sugar growers planted more, confident that the import quota would be ratcheted down to maintain a constant domestic price support. Producers of other crops were likewise freed from production restraints on their crops. They took a look at growing sugar cane and beets. They had government assistance here because the farm policy of the United States gave these producers checks known as AMTA payments that had no strings attached. The financial barriers to entry for new sugar growers in the United States were altered accordingly. Agriculture producers switched from cotton, rice, soybeans and grains into growing sugar cane and beets. Domestic production grew and the import quota was cut until it hit the WTO floor. Then prices collapsed for both raw and refined sugar.

This is not a pretty picture, but it is the culmination of a cycle that had its origin in the 1996 legislation. We took the restraints off of domestic production. It was assumed that our efficient producers would grow for the U.S. market as well as for world markets. The policy assumption was that world markets would rationalize as a result of global elimination of government subsidies. This has not happened. As evidence of this, one only has to look at the world price levels of sugar, which until recently have been substantially below the cost of production of even the lowest cost producer. This reflects increasing levels of government support around the world for sugar industries, not less support.

When stripped to the essentials, we now have too much sugar grown in the United States. We also have international trade obligations that require us to import large amounts of sugar whether we need it or not. The large subsidizers in the world are not going to suddenly eliminate their internal supports and subsidized exports. If the United States wishes to maintain any sort of defensive support for its sugar industry in this environment, a way must be found to limit U.S. production of sugar cane and beets to levels that balance supply with demand in our domestic market.

I would be happy to answer any questions you may have at the appropriate time.

Testimony of Lindsay McLaughlin, Legislative Director

International Longshore and Warehouse Union

Before the
Senate Committee on Agriculture
Oversight Hearing on Sugar Policy
July 26, 2000

opeiu29

Good morning, Chairman Lugar, Senator Harkin and members of the Senate Agriculture Committee. For the past nine years, it has been my honor to be a part of the International Longshore and Warehouse Union (the ILWU) – a union with a proud history of promoting social and economic justice for all workers. The ILWU is the largest private sector labor union in the state of Hawaii representing longshore workers, hotel workers, general trades, and agriculture workers. All of these workers are consolidated into one local union, ILWU Local 142.

Mr. Chairman, ILWU members at the three remaining sugar operations asked me to present the attached petition supporting a viable United States sugar policy to members of this Committee. These are hardworking, decent citizens who live in constant fear that their livelihoods will be stripped from them. They have seen other sugar operations close down in Hawaii due to depressed sugar prices. In their own words, "Communities where sugar once thrived are now desolate places of despair." I ask that you consider this petition in the months and years ahead as you debate the future of United States sugar policy.

The story of the Hawaii sugar workers is one of 100 years of struggle for economic justice, racial unity, and the survival of their jobs and way of life. In the first half of the 20th century, workers from Japan, China, the Philippines, and Portugal were recruited by the sugar plantation owners in droves. The work on the plantations was hard, the days were long, the conditions were bad, and the wages were miserable. As one group got established and began to demand their rights to a better life, the next ethnic group was brought to Hawaii. The workers organized along racial lines and these divisions weakened the workers in their confrontations with employers.

During the organizing drives of the 1930's and 1940's, the ILWU preached its philosophy that racial unity was necessary for workers to succeed in winning a decent quality of life on the islands. Unity among the workers paid off in 1946. The sugar companies recruited 6000 Filipinos as strikebreakers that year in anticipation of a strike. The union responded by sending its own Filipino workers on board the ships that were bringing the strikebreakers to Hawaii. The union signed up every one of the Filipino passengers as ILWU members before they got to Hawaii. Former ILWU International Representative George Martin recalled, "They got there a couple of weeks before the strike. We opened up soup kitchens and fed them. Not one of them scabbed on us, and we won that first statewide strike. Strikes before that in Hawaii were not successful because they were racial strikes."

During the 1950's, the sugar workers made great gains in their struggle for economic justice. The ILWU established an industry-wide medical program, sick leave, and paid vacations and holidays – all unique in the agriculture industry. The ILWU also won the first pension plan ever negotiated for agricultural workers in the United States and established the 40 hour week for the first time ever in agriculture.

The story of the sugar workers in Hawaii in the last few decades has been one of attempting to survive. The union and the workers have cooperated with the employers to combat chronic low prices for raw sugar with productivity gains. Periodically throughout the last 20 years, the union members have agreed to accept little or no wage increases and flexibility of work rules – all in the name of keeping the Hawaiian sugar industry from bankruptcy.

Despite these joint labor/management efforts to keep the Hawaiian industry alive, we have seen the shutdown of 7 sugar companies in the last 9 years and the loss of 3,000 sugar jobs. The President of ILWU Local 142 from the Big Island of Hawaii lamented the death of sugar on his island before the House Agriculture Committee on April 21, 1995. He said, "Last year, in my home on the Big Island of Hawaii, Hamakua Sugar Company and Hilo Coast Processing Company shut down because of low, declining sugar prices. The shutdown has caused devastation in my community the likes of which I have never seen in my lifetime. Even the devastation caused by Hurricane Iniki could not rival what I have witnessed. Close to 1,200 workers lost their jobs. These jobs are not easily replaced and most of the displaced workers have not found other employment, and their unemployment benefits either have been or are soon to be exhausted. They are finding themselves in desperate situations, resulting in more stress in the home, increased substance abuse and crime, more incidents of domestic violence."

Recently, 100 workers out of 450 at AMFAC sugar plantation of the island of Kauai were furloughed while the company assesses the future of its sugar operations in Hawaii. These employees are drawing unemployment insurance while they wait for a phone call that may never come to go back to work. The state of Hawaii's Department of

Agriculture estimated that the cost of losing the sugar industry on the island of Kauai would be enormous ranging from $4.7 million to $8.8 million for the first year alone. The direct and indirect impact of losing the sugar industry on Kauai would cause the unemployment rate on the island to skyrocket from 6.7% to 9%, then higher as indirect job losses occur. Local 142 Vice-President Bobby Girald said, "All I see in the local newspaper in the employment section is part-time, part-time, part-time. That's not good enough to take care of a family."

Hawaii has fewer economic options than many other states – it has major geographic disadvantages and limited natural resources. Though intensive efforts have been made to diversify the state's agriculture, there are still no crops that could provide as much income or as many jobs as sugar.

In 1993, the ILWU sent a delegation of rank and file union members to the island of Negros in the Philippines to see first hand the working conditions on the plantations. The delegation reported that the conditions were very bad. All of the cane was cut by hand and hauled by oxcart. The workers work long hours for little pay and begin work at a very young age. Things had not changed much since the previous ILWU delegation to Negros in 1962. I do not have any information to suggest that working conditions have changed dramatically since 1993.

Our union believes that gutting the sugar program in the United States could worsen labor conditions in the Philippines and other developing countries. We would expect a bidding war to precipitate among developing countries to keep pace with the heavily subsidized European sugar for a piece of the American market. Labor conditions always suffer in that kind of cutthroat economic atmosphere.

Some advocates for consumers have suggested that the sugar program hurts consumers. They are absolutely wrong. Sugar prices are at a 20-year low, yet the price for confectionery items, cereal, and baked goods have gone up! When the old Sugar Act expired in 1974, domestic prices for sugar declined in some years but skyrocketed in others to over 40 cents a pound in 1980. A sugar program helps cushion American consumers from these skyrocketing prices. American consumers today spend less money on sugar than do consumers in most industrialized countries.

Earlier this year, the Administration took a necessary action to purchase sugar from the domestic market to stabilize the price of sugar. We supported this action and were hoping that USDA would make a more substantial purchase. Administration action was necessary to avoid forfeitures. In our case, we were convinced that if the Administration did nothing, all of the sugar operations on Kauai would close down.

Mr. Chairman, the ILWU is not the only union that has supported a viable United States sugar program. In the past, I have worked with the Machinists Union, the Grain Millers, the Distillery workers, and the Food and Allied Service Trades Department, AFL-CIO. They recognize that there are hundreds of thousands of good paying jobs that would be destroyed if the Federal Government terminated a viable sugar program.

Powerful interest groups would like to write the last chapter to the story of the United States sugar worker. However, our workers are not yet ready to accept the complete demise of the sugar industry in Hawaii. Congress should strengthen – not weaken or eliminate – this program when Congress reauthorizes general farm programs. Our sugar workers have struggled so much to win a decent standard of living for their families. We ask for your help in providing a brighter, stable future for the 2,000 sugar workers in the state of Hawaii and those sugar workers all over this country.

Attachment

It is Time for Domestic Sugar Policy Reform

Testimony of Professor David Orden*
United States Senate Committee on Agriculture, Nutrition and Forestry
July 26, 2000

Good morning. I am David Orden, professor of agricultural and applied economics at Virginia Tech and an author of the recent book Policy Reform in American Agriculture. This morning I am here to speak with you about the need for reform of the sugar program. Sugar policy is at a crossroads at the turn of the millennium. The traditional form of program management has run out of room to operate. A new approach to domestic sugar policy is needed. This is a policy that allows greater market flexibility, while retaining the framework and terms of our existing border measures and international commitments.

To achieve this new policy, we must look beyond the two main options that have dominated the sugar policy debate. These options have been either to retain the current program instruments, or to eliminate outright domestic support and import restrictions. Neither option is viable. The reforms that are required are steps that call for less market intervention, yet provide some direct support to producers. These steps have been taken progressively for other field crops since the 1960s. It will take courage to apply these measures to sugar, but it is time to do so.

Current Policies Are Out of Operating Room

Sugar policy has operated through a combination of loan rates at which stocks can be forfeited to the CCC, and border controls intended to keep market prices above the loan rates by restricting imports.[1] There is a pure *arithmetic* limit to this method of operating sugar policy: if imports are constrained to zero, then policy instruments other than border measures must be brought into play to sustain price-supporting loan rates against market pressure for lower domestic prices. The United States also has *negotiated* limits to this method of operating sugar policy. We are committed not to bring low-tariff sugar imports all the way to zero in the WTO, and to growing Mexican access under NAFTA.[2]

Until this year, it has been possible to maintain domestic market prices for sugar at levels commensurate with legislated loan rates without stock forfeitures, while imports have exceeded the minimum international access commitments.

This year is different. Domestic supply has expanded compared to demand putting downward pressure on prices. The Department of Agriculture has purchased some sugar to relieve this market pressure, and forfeitures of additional sugar are expected, even with only the minimum imports to which the United States is committed. Thus, domestic sugar policy has run out of room to operate in its usual manner. Farmers face uncertainty in the market and the traditional policy instruments are under stress.

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One path for sugar policy is an attempt to hold up the level of prices through current loan rates and constraints on domestic supply. Stocks can be accumulated by the CCC, and if that is not enough marketing allotments or acreage restrictions can be re-legislated, or paid land diversions can be adopted. But these are the types of government storage and supply-control measures that Congress has progressively abolished for other crops.

The alternative to the current program offered by critics of sugar policy is likewise ill-advised: to unilaterally eliminate all domestic support and simultaneously increase imports until U.S. prices fall to world price levels. This is too draconian a short-term shift from past rules.

Instead, a new sugar policy is called for. This policy would avoid government entanglement in the sugar market in the short run, provide more market flexibility overall, and seek multilateral agricultural trade policy reform that will include sugar in the long run. It is a policy path of progressively converting sugar policy to direct payments.

Objectives of a Direct Payments Policy

Let me highlight five positive objectives of a direct payments policy. The policy should:

1. Free up prices to allow the domestic market to clear and set stocks valuation in response to supply and demand

2. Avoid out-dated interventions either through government involvement in purchases, forfeitures, stockholding, and stocks disposal, or through resort to government-managed domestic marketing allotments or production quotas

3. Reduce incentives for oversupply relative to demand either by domestic producers or by foreign suppliers with access to the U.S. market under existing international commitments

4. Provide adjustment compensation to farmers in the short run

5. Create a sustainable long-run policy with greater market orientation, more open trade, and a reasonable safety net for producers

Two New Sugar Policy Options

With these objectives in mind, I call your attention to two basic options for sugar policy. These are options for domestic policy reform. They can be carried out within the context of current international commitments and with no change in border measures. For this reason, they are not subject to the objection that domestic producers would be exposed to unfair competition from abroad.

Marketing loans (loan deficiency payments)

This policy would operate similar to other marketing loans. It is a minimal change that would free up sugar prices on the consumption side, while retaining the current loan rates to provide price guarantees to producers. With lower domestic market prices when supplies are large, sugar use would expand, helping bring supply and demand into balance. This change in policy would help restore market equilibrium in circumstances, like this year, when supply exceeds demand.

The cost of a marketing loan program *for each penny of payments per pound of sugar* is around $180 million, assuming full participation at recent levels of output. Because of the concentration in sugar production, the distribution of marketing loan payments would by skewed, unless some payment limitations are enforced.[3] Nonetheless, for each penny of taxpayer cost, more than that penny is saved by sugar consumers. This shift of the support burden from consumers to taxpayers yields a net gain. There is a beneficial distributional effect as well, since low-income consumers spend a higher proportion of their income on food than high-income consumers, while those with high incomes pay a larger share of taxes.

Marketing loan payments would be an entitlement to farmers, and would vary with market conditions, so the total budget cost of a marketing loan program is not predetermined. If supply and demand dictated market returns below loan rates, then consumers would reap the benefits of low prices, while producers would receive some support. Conversely, if markets offer returns near or above the loan rate, then government payments decline accordingly.[4]

Introduction of marketing loans would provide a price guarantee for domestic producers, but would have a different—and from U.S. producers' perspective, beneficial—effect on production incentives abroad. In particular, it would reduce export incentives in Mexico. Market prices, not the loan rates, would become the return to Mexican suppliers as they gain full access to the U.S. market by 2008. If market conditions dictate prices below loan rates, this would dampen Mexican investment in export production capacity.

Marketing loans would also ease adjustment to future multilateral trade liberalization. Domestic sugar producers would be ensured of compensation for any decline in prices if WTO negotiations or other trade agreements result in larger quantities of sugar imports by the United States as one part of a broad-based expansion of market access for agriculture.[5]

Thus, marketing loans achieve some but not all of the positive objectives of a direct payments policy, while providing a guaranteed price to producers. Marketing loans should appeal to producers for this reason.[6]

Fixed direct payments and lower loan rates

To guarantee prices to producers at current loan-rate levels under a marketing loan approach may turn out to be unfeasible. If the principal market force putting downward pressure on prices is farmers' increased ability to supply sugar when current loan rates set the price incentive for production, then a marketing loan program with current loan rates will prove to be expensive every year.

An alternative direct payments option is to implement fixed direct payments based on historical production, and lower loan rates. Under this approach farmers would have a choice about whether to continue to produce sugar, but still receive payments. Price incentives determining production decisions would be market-based, with loan rates lowered to below expected market prices in most years. A safety net could be provided by accompanying the fixed direct payments with a marketing loan program based on the lower loan rates. These are not new policy instruments, but their application to sugar would be new.

A practical difficulty in implementing a fixed direct payments policy is determining the initial support expenditures. If existing loan rates are reduced, payments could be set as high as the differences between the old and new values. But market prices might not fall as much as the loan rates, or if they do, might not remain at those levels. In any case, the level of direct payments has to be determined in advance of market outcomes that are hard to forecast.

One option Congress should consider is a "25/50" proposal: reduce loan rates by 25 percent and provide fixed compensation payments of 50 percent of the change in loan rate. Loan rates would be reduced from $0.18 to $0.135 for raw cane sugar, and from $0.229 to $0.172 for refined beet sugar. Initially, the payments could be made on an emergency basis, similarly to market loss payments made for other crops because of low agricultural prices. Payments would be based on average production during 1997-99. Estimated cost would be around $450 million per year if there is full participation. And with compensation payments enacted as emergency spending, the option would be retained to reduce or eliminate the payments in the 2002 farm bill, or to convert them to a more permanent basis.

It is Time to Reform Sugar Policy

I have argued briefly that it is time to reform sugar policy. Existing policy operates through loan rates intended to set a price floor and import controls that have kept domestic market prices up. Under these policies, sugar imports spiraled downward when HFCS displaced sugar consumption in the 1980s, and import levels have been managed to support domestic prices ever since. Adjustments to larger domestic supplies relative to domestic demand have been pushed onto foreign suppliers, but the room to do this has run out.

It is time to adopt polices for sugar that allow more domestic market flexibility in the short run, and can facilitate multilateral trade liberalization in the long run. If excess supplies relative to demand in 2000 were a passing phenomena, perhaps the traditional policy instruments of stock accumulation or marketing allotments could be brushed off and used effectively. But for many reasons it is likely that often there will be large supplies at current domestic price levels.[7] Under this circumstance, the storage and production control approaches will eventually fail.

If sugar markets were more open worldwide, a case could be made for full elimination of domestic support and border constraints. Such open markets remain an elusive long-term goal of international negotiations, so an interim policy is needed.

Domestic policy can be reformed to provide market flexibility and producer support within the context of existing international commitments. I have outlined applications to sugar of direct payment policies that can achieve these objectives. Thank you for your attention. I will be happy to respond to any questions.

Reference Notes

[1] The economic effects of sugar production under high domestic prices maintained by import restrictions have been evaluated in numerous studies. Specific outcomes differ with 1) world market conditions (which have varied markedly, in part due to the interventions in the United States and elsewhere), 2) how responsive production and demand are to prices (supply and demand elasticity assumptions), and 3) other aspects of model specification. An overall message of these studies is that price support policies generate aggregate gains for producers (which can be large per farm because of concentrated production), aggregate losses to consumers (small on a per-capita basis), and net losses to society.

While it is beyond the scope of this testimony to reconcile the results of various empirical analyses, three careful recent studies illustrate the *types of* results often derived. Borrell (1999) utilizes a detailed multilateral model delineating 24 countries/regions and seven classes of sweeteners to examine the long-run price, trade and welfare effects of full liberalization of world sugar markets. In his analysis, multilateral liberalization results in a 25-percent decline of the U.S. sugar price, while the world price rises by 38 percent. U.S. imports increase around 5 million metric tons with liberalization. Consumer gains are nearly $1.2 billion for the United States, while U.S. producer income falls by $0.7 billion, leaving a net estimated gain of $0.5 billion. Worldwide net gains are nearly $5.0 billion.

Haley (1998) constructed a more detailed U.S. model with separate short-run (processing capacity fixed) or long-run (processing capacity adjustable) supply functions for nine domestic regions, and a complex three-stage demand structure for six types of industrial sweetener users and a two-stage structure for non-industrial sweetener consumption. Foreign excess supply is compressed into an aggregated elastic upward-sloping function. For a *unilateral* liberalization by the United States, Haley also finds a domestic price decline of around 25 percent. His equations yield a fairly price-responsive (but still inelastic) demand structure. When the U.S. price falls, domestic production declines by 2.5 million tons (28 percent) in the long run. Demand expands nearly proportionately to the price decline, so imports rise by almost 5 million tons, causing the world price to nearly double. Haley estimates smaller consumer gains ($0.67 billion) and total producer losses ($0.64 billion) than does Borrell for multilateral liberalization. Haley notes that his demand structure is the most obvious difference between his study and those indicating larger distributional and net effects from changes in sugar policy.

The most recent modeling study of the economic effects of the sugar program was conducted by the GAO (2000). The study utilizes the CARD global sugar model from Iowa State University, augmented to include domestic supply linkages to the corn, HFCS and wheat markets, and to evaluate separate effects on domestic cane and beet producers, corn producers, sugar beet processors, HFCS producers, and cane refiners. The GAO estimates that the sugar program cost domestic sweetener users $1.5 billion in 1996 and $1.9 billion in 1998, while cane and beet producers received benefits of about $0.8 billion in 1996 and $1.0 billion in 1998. For unilateral U.S. liberalization, this study finds that domestic raw and refined sugar prices fall around 40 and 25 percent, respectively, while world prices rise 10 to 20 percent. With highly inelastic supply and demand assumptions, domestic harvested acreage falls by less than 5 percent, while imports rise by 1.1 to 1.6 million tons.

[2] The Uruguay Round GATT Agreement on Agriculture guaranteed minimum agricultural market access under low-tariff TRQs, together with limited commitments to expand this access and to reduce high (often prohibitive) over-quota tariffs through 2000. Sugar imports by the United States exceed the general TRQ minimum market-access guarantees of 3-5 percent of domestic consumption. The U.S. made a commitment instead to a minimum sugar TRQ of 1.256 million short tons raw value. (A commitment to imports of 1.25 million tons had previously been included in the 1990 farm bill.) U.S. imports were expected to continue to exceed this level, so the Uruguay Round commitment by the U.S. was not viewed as a significant trade liberalization step. The Uruguay Round Agreement also prohibits introduction of new export subsidies. This precludes the United States from adopting a European Union (EU) type of regime, both importing sugar under high domestic prices to meet its Uruguay Round commitment and selling domestically-produced sugar at a lower world price with an export subsidy.

Under NAFTA, agricultural products are included in the long-run goal of eliminating barriers to trade with Mexico. Elimination of agricultural trade barriers is being accomplished over adjustment periods of five to fifteen years, with the most highly-protected commodities in each country subject to the longest phase out of that protection. For sugar, complex adjustment-period rules were first negotiated to postpone a common market between Mexico and the United States. These rules were revised in a "side letter" detailing adjustment-period commitments between the two countries. Thus, issues arise concerning the operative rules during the adjustment period to 2008, and with respect to the final agreement for elimination of sugar trade barriers.

U.S.-Mexican sweetener trade flows during the adjustment period have remained mired in conflict. Mexico protects its sugar sector, and under this regime Mexican output increased from a low level of 3.8 million metric tons raw value in 1994 to over 5 million tons by 1998. As Mexican sugar output has expanded, different views have emerged about the commitments in NAFTA and the side letter regarding duty-free Mexican access to the U.S. market under a TRQ. Meanwhile, the high U.S. tariffs on sugar imports outside of TRQs have been falling for Mexico under NAFTA: from 16 cents/pound in 1994 to 12.9 cents/pound in 2000 for raw sugar, with further declines scheduled in following years and the over-quota tariff to be eliminated completely in 2008.

While much of the recent U.S.-Mexico disputes and consultations over sugar has focused on short-term access questions, the common market that emerges in 2008 looms ever closer on the horizon. Once the tariff phase out is completed, NAFTA and the side letter contain no explicit trade restraints, other than imposition by Mexico and the United States of a common external tariff. In principle, if Mexican sugar production were to exceed domestic consumption at that time, the full excess could flow into the U.S. market.

[3] The *average* payment per farm by state per penny of marketing loan would be, for sugarcane: Florida $279,600; Hawaii $584,615; Louisiana $45,815; Texas 19,417; and for beets: California $20,045; Colorado $7,660; Idaho 15,940; Michigan $7,870; Minnesota $16,780; Montana $9,690; Nebraska $9,970; North Dakota $17,230; Ohio $1,820; Oregon $8,140; Washington $41,030; and Wyoming $9,100. These calculations are based on 1999 production levels and the 1997 Census of Agriculture estimates of the number of farms growing sugarcane or sugar beets, as reported by GAO, Table 3, June 2000.

[4] The basic comparison is between the return from forfeiture versus the return from selling in the market. The return from forfeiture is the cane or beet sugar loan rate (which are subject to slight regional adjustments). For raw cane sugar, the return from selling is the market price less interest paid on the loan, transportation costs incurred moving sugar to the refiner, and some location discounts charged by refiners. For beet sugar, the return from selling is the market price less interest paid on the loan and certain cash discounts. The difference between these returns vary by region. See GAO, Appendix II, July 1999.

[5] While the outcome of the current WTO agricultural negotiations cannot be prejudged, it is reasonable to expect that a modest goal to expand TRQs multilaterally will be adopted. An increase of TRQs by 50 percent as a share of domestic agricultural markets would raise low-duty market access minimums from 5 to 7.5 percent of consumption. An equivalent expansion factor applied to the U.S. minimum import commitment for sugar would raise the obligation to 1.884 million tons. An increase of one-fourth would raise the minimum access commitment to 1.565 million tons. Such minimum import levels did not seem to threaten the U.S. sugar program when the Uruguay Round was completed, but are not being achieved in 1999 and 2000. Over-quota tariffs are also likely to be negotiated down, making circumstances more likely under which imports outside of the TRQ are possible.

[6] With marketing loan payments tied to production, they count in the U.S. aggregate measure of support and do not qualify as a non-distorting WTO "green box" policy. To limit budget exposure and reduce production incentives, one option would be to limit loan deficiency payment eligibility to average production levels from the three-year period 1997-99. This would provide compensation related to market price levels for historical production, but would make the market price, not the loan rate, the incentive determining decisions about additional production. Such a "limited" loan deficiency payment program would require recourse loans for the output not eligible for payments (in order to avoid possible forfeitures). This program would therefore be different from current loan programs for other crops.

[7] Domestic sugar production has shown an upward trend throughout the 1990s that is particularly steep since 1997. Over the full period, cane output has increased primarily due to high yields in Florida and rising acreage and yields in Louisiana. Beet output has increased due to increased acreage in the upper Midwest, and due to recently high yields. Domestic sugar consumption has also grown in the 1990. Whether there is downward pressure on domestic prices in the future given international import commitments depends on this supply/demand balance. It is likely that supply will exceed demand in many years if the current sugar program is continued with loan rates at existing levels. Proposals to shift to direct payments to support sugar producers have been made before, but never in circumstances with such persistent prospect for pressure of supply on demand and no room to cut imports.

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DOCUMENTS SUBMITTED FOR THE RECORD

JULY 26, 2000

U. S. CANE SUGAR REFINERS' ASSOCIATION

List of Member Companies

California & Hawaiian Sugar Company
2300 Contra Costa Boulevard
Pleasant Hill, CA 94523

Imperial Sugar Company
P.O. Box 9
Sugar Land, TX 77487

Tate & Lyle North American Sugars Inc.
Domino Sugar Refinery
1100 Key Highway East
Baltimore, MD 21230

7/24/00

CANE SUGAR REFINING INDUSTRY, 1981/1999

REFINERY LOCATION	COMPANY	CAPACITY [a]	
~~AIEA, HAWAII~~	~~C & H~~	~~142~~	CLOSED 12/96
BALTIMORE, MARYLAND	DOMINO (TATE & LYLE)	3,000	
~~BELLE GLADE,FLORIDA~~	~~FLORIDA SUGAR~~	~~390~~	CLOSED 3/86
~~BOSTON, MASSACHUSETTS~~	~~AMSTAR (DOMINO)~~	~~1,000~~	CLOSED 3/88
~~BOSTON, MASSACHUSETTS~~	~~REVERE~~	~~1,200~~	CLOSED 5/84
BROOKLYN, NEW YORK	DOMINO (TATE & LYLE)	2,000	
~~BROOKLYN, NEW YORK~~	~~REVERE~~	~~1,120~~	CLOSED 3/85
CHALMETTE, LOUISIANA	DOMINO (TATE & LYLE)	3,000	
~~CHICAGO, ILLINOIS~~	~~REVERE~~	~~850~~	CLOSED 5/84
CLEWISTON, FLORIDA	EVERGLADES	850	
CLEWISTON, FLORIDA	U.S. SUGAR	1,800 [b]	
CROCKETT, CALIFORNIA	C & H	3,400	
GRAMERCY, LOUISIANA	COLONIAL	2,150	
~~MATHEWS, LOUISIANA~~	~~LOUISIANA SUGAR CANE~~	~~600~~	CLOSED 9/85
~~PHILADELPHIA, PENNSYLVANIA~~	~~AMSTAR (DOMINO)~~	~~2,100~~	CLOSED 10/82
~~PHILADELPHIA, PENNSYLVANIA~~	~~NATIONAL~~	~~2,100~~	CLOSED 9/81
PORT WENTWORTH, GEORGIA	SAVANNAH	3,100	
~~RESERVE. LOUISIANA~~	~~GODCHAUX-HENDERSON~~	~~1,900~~	CLOSED 1/85
~~ST. LOUIS, MISSOURI~~	~~INDUSTRIAL~~	~~300~~	CLOSED 3/87
SOUTH BAY, FLORIDA	FLORIDA CRYSTALS	925	
SUGAR LAND, TEXAS	IMPERIAL SUGAR	1,950	
~~SUPREME, LOUISIANA~~	~~SUPREME SUGAR~~	~~850~~	CLOSED 10/95
YONKERS, NEW YORK	REFINED SUGARS	2,000	

[a] 24 - hour melting capacity, short tons, raw value, as reported by USDA.

[b] As reported by Sugar Journal

3/30/99

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AMERICAN SUGAR ALLIANCE

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July 12, 2000

The Honorable Charlene Barshefsky
United States Trade Representative
Winder Building
600 17th Street, N.W.
Washington, D.C. 20508

The Honorable Dan Glickman
Secretary of Agriculture
U.S. Department of Agriculture
Room 200A, Whitten Building
Washington, D.C. 20250

Dear Madam Ambassador, Mr. Secretary:

We would like to take this opportunity to congratulate you and your staffs on your superb accomplishment of putting together and presenting the comprehensive proposal to the WTO on further agricultural trade reform. The fact that the European Union criticized the proposal should be seen only as reinforcing your aggressive and appropriate position.

We were especially pleased that the proposal did not endorse the concept of formula reductions on tariffs. As you have pointed out, formula reductions tend to lock in tariff disparities. They also fail to distinguish among commodities, and the unique nature of individual products, which is a critical point to many American farmers.

We understand that some commodity groups are requesting that they be excluded from the new round of negotiations. We can assure you, in the strongest possible terms, that the American Sugar Alliance does *not* share this position.

We see potential for major advancements in the negotiations, particularly with respect to the elimination of export subsidies and harnessing the monopoly power of state trading enterprises (STE's).

Subsidies and STE's have wreaked havoc on the world sugar market. Until these and other trade-distorting practices are effectively disciplined, American sugar producers, who are efficient by any standard, will be at a severe competitive disadvantage vis-à-vis sugar industries in the European Union, Australia, Brazil, Thailand and elsewhere.

On a closing note, we would be remiss not to mention the outstanding work done by Ken Roberts and the rest of the agricultural staff in Geneva. Their contributions to U.S. agriculture's interests do not go unnoticed.

Respectfully yours,

D. Wallace

Don Wallace
Chairman

Florida Sportsman Online

Everglades/River Restoration

Florida Sportsman Magazine endorses and continues to fight for restoration of our natural water flows. The following articles and references are provided to support this critically needed restoration.

THE SWEET HEREAFTER

Our craving for sugar starves the Everglades and fattens politicians

By Paul Roberts

Like any modern farming town, Clewiston, Florida, de facto capital of the American sugar industry and, by its own estimate, "America's Sweetest Town," reveals itself to visitors well beyond the city limits. Thirty miles out, the famous sugarcane crop begins--tall, genetically tailored, and emerald green--stretching out like nappy AstroTurf as far as the eye can see. Next come the thick, mile-high smoke clouds as the freshly cut cane fields are burned off. And then comes the smell: the funky, earthy, sickly-sweet odor of cane juice being boiled down into coarse blond crystals of raw sugar. Six months a year, twenty-four hours a day, in Clewiston or anywhere else in the Rhode Island-size piece of drained swamp known as the Everglades Agricultural Area (EAA), the scent is inescapable and unmistakable, a territorial marker that makes newcomers grimace and reminds everyone else what money smells like.

On this particular October afternoon, one week before Election Day, 1998, the lucrative bouquet is especially sharp in downtown Clewiston. Not only has the cane harvest begun but U.S. Sugar Corporation, headquartered here since 1931, is planning a huge bash for the opening of its new sugar refinery. Located on the south side of town, the refinery towers twelve stories over the flat former swamplands, a colossal monument to prosperity in the age of consolidated agribusiness. After today, U.S. Sugar will no longer need East Coast refiners to turn its raw crystals into white table sugar but will sell directly to the customer, in everything from 2-pound bags for homemakers to 100-ton railcar loads for industrial users. This is the kind of vertical integration that already defines most of the food industry, and its arrival in Clewiston is being treated like the discovery of oil, or the acquisition of a pro football team, or something less earthly altogether: for indeed, J. Nelson Fairbanks, CEO of U.S. Sugar, is a fiercely religious man who believes his company is on a mission from God and who is, in any case, throwing a party of biblical proportions. Already, workers are unfolding a circus-size tent that, when erected, will boast stadium-caliber air-conditioning, a magnificent stereo sound system, a full-size catering kitchen, and seating for 750. The guest list reads like a who's who of sugar: lobbyists and industrial sugar users, analysts and reporters, local lawmakers, top state politicians, and congressmen--even Fairbanks's arch rivals, Alfonso "Alfy" Fanjul and his brother, Jose "Pepe," authentic sugar barons whose neighboring cane holdings are the biggest in America and whose political connections in Tallahassee and Washington are so famous that Hollywood has based movie villains on them.

The political tone of the festivities is no accident. Sugar has always been on intimate terms with government, for without it the industry could not enjoy its current size and wealth. For example, until recently, growers like Fairbanks and the Fanjuls relied on a federal "guest" worker program for a steady supply of cheap, docile Caribbean cane cutters. And although that particular embarrassment is gone, cane producers remain absolutely beholden to other forms of governmental intervention. Nearly every acre of sugarcane in south Florida is irrigated and drained via a costly, tax-supported system of pumps, dikes, and canals that effectively prevents the Everglades Agricultural Area from reverting to swamp while keeping Lake Okeechobee, to the north, from flooding. Unfortunately, this system, in combination with the heavy fertilizers sugar farmers apply to their fields, has degraded the remaining "pristine" Everglades downstream, yielding years of litigation and an environmental catastrophe that will cost taxpayers $8 billion to fix. But not sugar. Although Florida cane farmers are footing part of the cleanup cost, their small share is all but buried under another, more pervasive government handout: a federal sugar program that keeps the domestic price of sugar some 50 percent above the world market price. This sweet protectionist deal not only adds a nickel profit to every pound of sugar produced by large U.S. cane farmers but has abetted the Everglades' decline by encouraging farming in marginal swamplands that could not be profitably planted otherwise.

Sugar is, in effect, getting paid to do some serious ecological damage, an argument made by environmentalists, free-traders, and other critics each time Congress reauthorizes the sugar program, but to little avail. Each time, the industry prevails with an impressive blend of political skill and resources. Between 1990 and 1998, American cane farmers and their sometime allies-- sugar-beet farmers, sugar refiners, and the makers of high, fructose corn syrup (HFCS)--poured some $13 million into presidential and congressional campaigns and tens of millions more into local races, especially in Florida, where sugar has spent at least $26 million on everything from referendums to supporting Jeb Bush for governor in 1998.

That's a lot of money, especially from an industry less than one tenth the size of automobiles or oil, and it has forged a chain of political obligations and alliances that is immune to even the most vigorous good-government crazes. Three years ago, for example, the sugar lobby not only throttled a congressional attempt to phase out sugar price supports (persuading six of the bill's co-sponsors to switch sides) but dished out some $23 million to stop a Florida proposal to tax growers for Everglades restoration. And just this April, sugar lobbyists in Tallahassee pushed through a last-minute bill weakening federal authority over Everglades cleanup, then convinced newly elected Governor Bush to sign the law immediately, before incensed environmentalists could mount a veto campaign.

Nor is the White House immune to sugar's charms. In 1996, just hours after Al Gore proposed his own sugar tax and vowed to make the Everglades the centerpiece of the administration's environmental policy, Alfy Fanjul called Clinton, interrupting the President's meeting with Monica Lewinsky, to remind him of the vast sums the Fanjuls had pumped into Clinton's presidential campaigns. (Lewinsky would later remember the caller's name as "something like Fanuli"') Gore's tax proposal vanished, as did the administration's interest in genuine restoration. This July, Gore presented Congress with an $8 billion, twenty-year Everglades restoration plan, which calls for ripping out hundreds of miles of dikes and claims to let the swamp flow free and wild again. What Gore failed to mention, however, is that the plan is crippled because, at the behest of sugar lobbyists, it leaves virtually untouched the cane farms that helped to create the mess in the first place. If anything, the new refinery in Clewiston is really a colossal monument to a relatively small industry's success in utterly dominating an entire segment of American policy.

With two days till the opening, Clewiston is abuzz with a homecoming-game excitement. Dignitaries have begun to arrive and the hotels are full. The *Clewiston News's* "Special Clewiston Sugar Refinery Grand Opening Issue" has hit the stands, and a small army of U.S. Sugar publicists has prepared a paralyzing concoction of press releases, backgrounders, tours, and free food for the coming media hordes. Arriving in Clewiston, I'm greeted by Laura Jamieson, a cordial, businesslike flack assigned to me by U.S. Sugar's public relations firm in Miami. Over a small table in the dimly lit Everglades Lounge, Jamieson thanks me profusely for my interest in sugar, passes me several pounds of press material, then outlines my itinerary for the next two days--a nonstop series of refinery visits, executive interviews, and aerial tours, culminating in a front row seat at the refinery opening, with side options for a fishing trip or a tour of Miami Beach, if the journalistic need arises. It's a blend of Southern hospitality and sophisticated "communications strategy," a full-court press designed to keep me exhaustively informed, thoroughly occupied, and completely out of mischief while I'm in Clewiston.

In contrast, U.S. Sugar's main competition, the Fanjuls, and their company, Florida Crystals, seem altogether indifferent to the press. Neither Alfy nor Pepe will consent to speak to me even by phone, and requests to visit the company's vast offshore cane holdings in the Dominican Republic are steadfastly ignored. The brothers' reclusiveness isn't surprising. Whereas Fairbanks and U.S. Sugar have continued to bank on their image as sugar pioneers with close ties to the land, the Fanjuls have no such cachet. Rich, controversial, and Cuban born, with Palm Beach mansions and a $500 million fortune, the brothers are easy targets for muckrakers from *60 Minutes* to the *National Enquirer*, most of whom portray the Fanjuls, in not so subtle racist undertones, as symbols of why America is going down the toilet. The unkindest cut was *Striptease*, a satirical 1996 film featuring two cut-throat Cuban-American sugar barons, their toadying congressman, and the dancer that brings them all down. *Miami Herald* columnist Carl Hiaasen, on whose novel the movie was based, called his barons Joaquin and Wilberto Rojo. But any reader of the south Florida society pages had no difficulty recognizing Alfy and Pepe, their collection of yachts and politicians, or their family's elitist disregard for those who work their lands. "Christopher had never been to the farm, but he'd seen photographs," writes Hiaasen of Joaquin Rojo's womanizing, barhopping son. "The cane fields looked like a stinking hellhole; he was astounded at the fortune they produced. There was so much money that one couldn't possibly spend it all."

Begging off a dinner invitation from Jamieson and her P.R. colleagues, I spend my first night exploring America's Sweetest Town,. a task that takes all of about ten minutes. Clewiston's 6,348 residents live in a narrow crescent, bounded on the north by the huge earthen levee that keeps Lake Okeechobee from overflowing its banks and in every other direction by cane--a sea of green that laps up against back yards and parking lots, playgrounds and curbs, and fundamentally shapes every aspect of life within. In fact, although cane is grown in some eighty tropical and semitropical nations and states--and sugar beets nearly everywhere else--few spots on earth render the bizarre spectacle of the modern sugar industry quite so visible as south Florida. Three counties south of Lake Okeechobee account for more than half the country's cane production, a focus on sugar so intense and deeply entrenched that, depending on the time of year, a visitor will find not only the U.S. Sugar Corporation and the Sugarland Highway but also Sugar Industry Appreciation Week, the Sugar Festival, the Taste of Sugar Country Dessert Contest, the "Miss Sugar" Beauty Pageant, and even, in the small black town of Harlem, a Miss Brown Sugar contest. Driving slowly down Clewiston's main street, hunting for something other than political ads and Christian rock on the radio, I nearly rear-end a green Ford pickup making a left turn. The driver, wearing the customary straw planter's hat, stares searchingly at me in his rearview mirror, then smiles warmly and makes his turn. His bumper sticker reads: WE RAISE CANE.

Factory and farming towns have always found quaint ways to celebrate their economic mainstays, but there is more to sugar's pull than mere dollars. Sugar has power because almost no one who has once tasted sugar ever wants to do without it. We love sugar, and our affection is physical, an involuntary, evolutionary adaptation that guided our ancestors to fruits and other crucial carbohydrates and that seems to involve the same pleasure-producing neural chemistry associated with opiates. That may or may not explain why people kicking heroin crave sugary snacks, or why, in lab tests, even healthy subjects eat significantly more food when it's sweetened. But it certainly does make clear why the food industry now adds sucrose and other sweeteners--notably HFCS--to nearly all processed foods, from ketchup and sandwich bread to frozen entrees and baby food. Like Elvis or sex, sugar is everywhere and in everything our economy and politics, our language and demographic makeup, our physiology and mass psychology, and, of course, our diet. Sweeteners now make up a fifth of America's caloric intake: the average American consumes a pound of sweetener, or 117 teaspoons, every sixty hours.

All green plants create sucrose from sunlight, air, and water via photosynthesis. But the most proficient species are the, sugar maple, the sugar beet, and sugarcane. And although beets are now the nation's greatest source of sucrose, it was cane, or Saccharum,that launched the sugar business and that has, for better or worse, provided most of the industry's visible character. A massive, bamboo-like grass that can grow twenty feet tall, Saccharum was discovered in southern Asia 10,000 years ago and by 300 B.C. was being processed into sweet syrups. Crusaders brought a crude crystalline sugar back to Europe, where demand soon outstripped supply. By the fifteenth century, when European explorers sailed south to the African coast and west to the New World, they were driven as much as anything by the need to find more suitable sugar-growing regions.

By the 1600s, the sugar colony had emerged as the mercantile model of imperial commerce--a massive, centralized slave plantation devoted to a single crop that was shipped back to the mother country for refining. A delicate plant, cane needed ample fertilizer, irrigation, and a workforce inured to backbreaking tedium. During harvest, slaves spent weeks in the fields, bent over, hacking the tough woody stalks with razor-sharp machetes as they marched down the bug and snake-infested rows. The cane would be hauled to a mill and ground between rollers to extract the juice. The precious liquid was then reduced in massive heated cauldrons, tended round the clock in oppressively hot proto-factories, and, at a precise consistency, poured into molds. Excess liquid was drained off as molasses, and the hardened bricks of raw sugar were sent to refineries in Antwerp, London, or Rouen for additional whitening. Timing was critical, for cane juice spoils in hours; during harvest, milling continued around the clock, leaving workers so tired that the fingers and hands of those feeding the mills often slipped in between the grinding rollers. As one historian notes: "A hatchet was kept in readiness to sever the arm, which in such cases was always drawn in; and this no doubt explains the number of maimed watchmen."

These were minor obstacles. By 1700, spurred by the growing popularity of coffee, chocolate, and tea, sugar had surpassed tobacco as the New World's most lucrative export. Sugar, molasses, and rum (from fermented molasses) gave the struggling colonies their first economic impetus, fostering new commercial and political elites--and new patterns of exploitation. Under the infamous "triangle of trade," sugar from English colonies in the Caribbean went to England for refining, ships then went on to Africa to exchange goods for fresh slaves, who were shipped to Caribbean plantations. Writes historian Sidney Mintz: "The first enslaved Africans brought to [the New World] in 1503-1505 worked on sugar plantations, and the last enslaved Africans smuggled into Cuba in the 1860s or 1870s worked on sugar plantations, a depressingly enduring continuity."

As nations grew accustomed to sugar revenues, the industry gained political power. Countries shielded their planter colonies with protective tariffs, sparking geopolitical strife. In 1733, British planters on Barbados and Jamaica, annoyed that New Englanders were using French Indies molasses to make rum, convinced Parliament to heavily tax any non-British sugar imported by America.**1**. The resulting Molasses Act contributed as much to, America's revolutionary fervor as any other British snub.

Yet for all sugar's importance to America's origins, the new country had no sugar industry of its own and had to rely on imports--a position that abetted America's growing aspirations to imperialism. In the Kingdom of Hawaii, American sugar planters, hungry for the import privileges enjoyed by U.S. planters, cynically fostered a revolt that drew American military intervention and, eventually, annexation. In Cuba, U.S. investors bought up almost half of all sugar production, which not only let them feed their American refineries with cheap raw-sugar imports but also fostered massive resentment in Cuba that, coupled with the economic instability inherent in one crop economies, contributed to a century of rebellions, dictatorships, coups, repression, and, finally, revolution.

Even by 1920, the U.S. sugar industry still was small, centered mainly in Louisiana and Hawaii with a slowly developing sugar-beet presence in the Midwest. Florida wasn't even a bit player. Despite a subtropical climate and an early sugar heritage--*Canaveral* means "cane field" in Spanish--cane was a garden species, grown piecemeal by settlers and Seminoles. The future capital of cane was still dismissed as a hot, buggy, under populated state whose swampy saw-grass interior, in one account, was "suitable only for the haunt of noxious vermin, or the resort of pestilent reptiles."

At a boat ramp just off the Sugarland Highway, on the eastern edge of the Everglades, Freddy Fisikelli slides a battered aluminum airboat into the tepid waters of an irrigation canal and beckons to me. Sixty-nine years old and rail thin, tanned to the color of shoe leather, Fisikelli grew up on the swamp, hunting and fishing until the game and fish disappeared, and is said to know the Everglades better than anyone alive. I've ditched my sugar publicists for the morning to take a ride in his boat, a sixteen-foot long flat-bottom barge with a huge rear, mounted propeller and a gargantuan 500-cubic-inch V-8 engine pulled from a Cadillac, sans muffler. Fisikelli hands me ear protectors, hits the ignition, and casts off. We motor slowly down the canal until he finds an opening into the swamp. Tugging on the rudder, he nudges the boat through a curtain of reeds and drops the throttle.

From the air, the Everglades look pretty much like what you'd expect from a huge swamp--miles and miles of soggy grasslands sprinkled here and there with trees. But down low, racing along a narrow canal at 45 mph, the effect is much more like being in a jeep on a savanna, with head-high, brownish-green grass stretching off to a flat horizon and a huge, pale blue sky. For half an hour we roar down the watery track, gathering a gossamer sheath of spider webs on our hands and faces and startling the native fauna. Blackbirds rocket skyward, while the larger, wading varieties--blue herons and cattle egrets--heave up and flap along ahead of us for a dozen yards before veering off. Reeds whip by; a dragonfly creases my hair. The canal widens momentarily, and to one side something large and shiny rolls beneath the water. Fisikelli taps my shoulder: "alligator."

The engine's roar drowns out any real conversation, encouraging a bizarre, vibrating introspection as the landscape flies by. At irregular intervals the boat jogs from side to side as Fisikelli, navigating by invisible landmarks, turns into secluded side canals--right, right, left, right, left--winding deeper and deeper into the marsh. The place is a maze, and I begin to understand why hunters and surveyors who go astray here might spend days looking for a way out--and why drug dealers and other thugs use the place to hide problematic objects. Fisikelli himself has walked out twice after his boat broke down. Once he was just five miles from a road, but it took him six hours to slog through the knee-deep water and muck, and when he reached terra firma, his trousers had been ripped to shreds by the razor-sharp native saw grass. That time, Fisikelli was lucky: he got out before nightfall, when mosquitoes come on so thick that marooned hunters paint themselves with engine oil to ward off bites. I'm about to ask, half-jokingly, whether Fisikelli knows where we are when the track widens, the engine goes silent, and we start to drift across a pond-size space of open water dotted with lily pads and purple gallinules. I pull off my earmuffs. The humid air is surprisingly fresh, filled with the sweetish smells of hay and peat and the sound of crickets and frogs. Waves slap rhythmically against the boat's metal sides. I peer down: the water is still and clear, revealing a few tiny minnows above a copper-colored algae bottom. Looking more closely, I realize that the water is actually moving, barely, from north to south--the slowest river in the world.

The Everglades were created more than 6,000 years ago, when a receding ocean exposed the vast limestone plain of southern Florida. Inundated by heavy rainfall, invaded by subtropical plants that favored the low-nutrient limestone soil, the landscape gradually gave rise to a forty-mile-wide "river of grass" that began at the southern shore of Lake Okeechobee and flowed in a gentle curve all the way to Florida Bay, 100 miles to the south. Actually, "river" is a misleading term. Between lake and bay, the land slopes less than a quarter of an inch a mile; before 1900, water moved so slowly that a droplet leaving Okeechobee would have evaporated and returned to the marsh as rain perhaps a dozen times before reaching the bay six months to a year later. Nor did the river always flow. In the dry winters the river would drop, its waters receding into millions of shallow pools that teemed with trapped fish and were a haven for wading birds, which nested on the temporarily dry ground. In the wet summers the Everglades would again be waterlogged, soaking up trillions of gallons of rainwater like a natural reservoir, filtering it, and slowly discharging to Florida Bay. Oscillating on this extreme hydrological cycle, the Everglades offered a particular environment, amenable to a narrow band of plants and animals and utterly contemptuous of nearly all other life forms.

Especially sugar, For all its association with the swampy Everglades, sugarcane is actually a *dry* land crop requiring constant irrigation yet intolerant of flooding, growing best when the water table lies two feet below the soil surface. In the Everglades the water table is two feet above the soil. Or was, before the mid-nineteenth century. That's when Congress handed twenty million wet inland acres to Florida lawmakers, who saw the Everglades as the main obstacle holding their new state back from a rightful, prosperous destiny. "Reclamation" became-the rallying cry, a righteous crusade complete with glorious visions of an evil swamp giving way to vast orderly rectangles of cotton, rice, oranges, and, of course, sugarcane. "The statesman whose exertions shall cause the millions of acres they contain, now worse than worthless, to teem with the products of agriculture industry," warbled one booster, "will merit a high place in public favor, not only with his own generation, but with posterity."

Slowly, expensively, crews dredged the muck, and by 1920 four massive canals had been carved from Okeechobee to the Atlantic Ocean, draining the swamp just south of the lake and raising in its place a fertile crescent of new farmland. The floodgates were now literally open. Between 1900 and 1930, southeastern Florida's coastal population jumped tenfold, and with postwar sugar prices sky-high, sugar wasn't far behind. Even as realtors were selling northerners swampland "by the gallon," backers of sugar ventures were promoting the Everglades as a canegrowers' paradise. By one consultant's reckoning, the black sawgrass peat, or "muck" soil, was so rich in nutrients that, properly drained, the region's "fertility will be established, practically forever" without costly fertilizers. Investors came running like children to sweets, among them Charles Stewart Mott, the former General Motors magnate and philanthropist.**2**. Civic hopes were stratospheric. In Clewiston, city fathers laid out plans for a sprawling lakeside metropolis of 20,000 souls, complete with a massive street grid and new moniker -"the Chicago of the Everglades."

They were a little ahead of themselves. Even after drainage the only thing to grow on the unfertilized sawgrass peat turned out to be ... more saw grass. Not only was the soil less fertile than advertised but the climate of south Florida lacked the warmth that cane is accustomed to. By the time sugar farmers solved that small problem--by breeding new strains of cane and, more to the point, by massive applications of phosphorus and nitrogen--the inevitable oversupply of sugar, followed by the global Depression, pushed prices to a few pennies a pound. Many ventures, including Mott's, were driven into the muck. Even after Congress came to the rescue, stabilizing prices by limiting imports and controlling domestic production--and even after Mott relaunched his venture as U.S. Sugar Corporation--the Florida sugar industry remained tiny.

Then came the 1959 Cuban revolution, and overnight the state's fortunes were made. Having embargoed all Cuban sugar, U.S. trade officials filled the gap by encouraging domestic production of sugar through massive incentives. The results were swift and predictable. U.S. Sugar Corporation and its smaller rivals expanded as fast as they could acquire land and get it planted, while engineers drained more swamp. By the mid-1960s, Florida's cane acreage had jumped tenfold; the state's sugar industry now was a real player, with big money and an absolute stranglehold on Florida politics, especially in matters of water and drainage.

The post-Castro opportunities also drew outsiders, among them Alfonso Fanjul, heir to the Fanjul-Gomez-Mena sugar empire in Cuba, a sprawling enterprise that, before Castro "stole" it, included 150,000 acres of sugarcane and ten mills. Forced to flee Cuba, Fanjul had no intention of quitting sugar. Moving to Palm Beach in 1960, he and some fellow exiles raised $640,000 to buy Osceola Farms, which boasted a 4,000-acre parcel of drained farmland in the EAA. By the time of Alfonso's death, in 1980, the eldest of his four sons, Alfy and Pepe, were doing $30 million in annual sales. Five years later, in a move that confirmed Alfy's strategic touch, the company leveraged $240 million for the sugar holdings of an ailing rival, netting the Fanjuls 90,000 new sugar acres in Florida plus 110,000 acres of sugar in the Dominican Republic. By 1990 the company, now known as Florida Crystals, had not only surpassed U.S. Sugar as America's biggest cane grower but had become the dominant force in sugar politics, pouring money into election campaigns, flying lawmakers around in company jets, even hosting a Bush Administration official at its posh Dominican resort, Casa de Campo. In nearly every way, the Gomez-Mena empire had been reborn.

But by then the thirty-year post Castro bubble was ready to burst. Health experts were again denouncing sugar. Alternative sweeteners, such as HFCS, were eroding the sugar market while Congress was threatening the sugar program. Labor lawyers, meanwhile, claimed that Florida cane growers routinely, and profitably, abused the thousands of cane cutters brought in each year from the Caribbean--claims that resulted in multimillion-dollar lawsuits and forced the U.S. industry to convert to mechanical harvesting. But the most serious threat came from environmentalists, who argued that phosphorus runoff from cane farms was slowly poisoning the Everglades and that the government's system of canals and dikes had destroyed the swamp's crucial flooding cycle--all as state officials looked the other way. In 1988, the U.S. Attorney in Miami filed suit against Florida for failing to enforce its own water-quality standards. For the sugar industry, it was a systemic shock that would, in the parlance of B movies, either kill it or make it much, much stronger.

We're talking *phosphorus* here, not mercury or heavy metals." In the small conference room at Florida Crystals' packing plant, Jorge Dominicis, the Fanjuls' spokesman, is tutoring me on the finer points of environmental science. Through a cooperative P.R. deal with U.S. Sugar, Dominicis has joined my media tour and for the last hour has used maps, charts, and a steady stream of gee-whiz comparisons to demonstrate just how overblown the pollution issue really is. "We're talking parts per *billion*," says Dominicis. "It'd be like taking ten drops and putting them into a backyard *swimming* pool." Across the room, Malcolm S. "Bubba" Wade, Dominicis's counterpart at U.S. Sugar, reminds me that phosphorus is necessary for all life; why, the bottled water you buy in the store has more phosphorus than is allowed under federal water standards in parks and refuges. Adds Dominicis: "You'd have to drink 1,400 *gallons* of the stuff to get your daily recommended allowance."

Like much else with sugar, the issue isn't so clear-cut, nor is it simply about the toxicity of a single chemical. When engineers turned the upper third of the Everglades into farms, they effectively severed Lake Okeechobee from the swamp and reversed its natural water cycle. Where the Everglades had been too dry for farming in the winter and so flood-prone in summer that hurricanes wiped out entire towns, engineers could now irrigate farms in winter and drain them in the wet season. City dwellers benefited, too. Engineers built a massive north-south levee to keep Everglades waters out of the narrow coastal strip that runs from West Palm' Beach down to Miami, home today to 5 million people. And to supply those thirsty urbanites, engineers sealed off huge tracts of Everglades just south of the farms--essentially, the middle third of the swamp--as million-acre reservoirs, or Water Conservation Areas. Almost as an afterthought, in 1947 the bottom third of the swamp was reserved as a national park.

From the window of U.S. Sugar's corporate aircraft, five thousand feet up, the signs of so much alteration are unmistakable. South from Okeechobee, the Everglades Agricultural Area unfolds like an enormous emerald checkerboard, its fields perfectly rectangular, neatly scribed by dikes, roads, and rails. Just below the farms lie the water-control structures--huge floodgates and some of the world's biggest diesel-powered pumping stations, each of which can move 2 million gallons a minute from the farms into the highway-size canals that run south and southeast, toward the coast.

From this height, it's also clear why the orderly layout doesn't work. In the dry season, the EAA essentially dams up Lake Okeechobee, diverting water that once flowed into the swamp and sending it instead to sugar farmers or urban users. But in the wet season, to keep farms and suburbs dry, canals in and around the EAA carry away the rainwater as fast as it falls. Some is pumped into the Water Conservation Areas, often faster than the swamp can absorb it, drowning out bird and wildlife populations there. The--rest several hundred billion gallons a year--is simply sent down the main canals "to tide" (where this unnatural flood of fresh water is destroying Florida's delicate saltwater estuaries). Not enough water remains to filter down to the last pristine sections of swamp in Everglades National Park. In other words, while the lower glades are starved of water, the upper glades are drowning--a bizarre and ugly situation that has nonetheless allowed sugar officials to insist that the real Everglades problem isn't water *quality* as much as water *quantity*.

In fact, the sugar industry knows good and well that water quality and water quantity are inseparable. By draining the saw-grass muck, engineers exposed underwater soils to the air, allowing fertilizers and natural nutrients to oxidize, thus freeing them up to blow away as dust or float off in rainstorms. Over time, up to six feet of phosphorus-laden topsoil has washed from the farms into the Everglades. Granted, phosphorus isn't particularly toxic, and farm runoff concentrations were relatively tiny--200 to 500 parts per billion. But keep in mind that the original Everglades vegetation developed in the nutrient-poor limestone soils, and that even a little phosphorus goes a long way. In the pristine parts of the park, water contains only a few parts per billion (ppb) of phosphorus. But research shows that as concentrations rise even slightly, native plants, such as saw grass, react--first by growing to monstrously unnatural sizes, then by dying off and giving way to phosphorus-loving species, such as cattails.

Exactly how much phosphorus the swamp can tolerate before changes occur is, naturally, a subject of ferocious debate. Ron Jones, a microbiologist at Florida International University and a veteran of the Everglades controversy, claims that 5 ppb to 7 ppb is the natural level, with a maximum of 10 ppb. Sugar scientists say it's higher--as much as 50 ppb. Regardless, changes are occurring. In the national park, for example, cattails are almost nonexistent. But move north and cattail density rises, until, in the upper parts of the Water Conservation Areas, where farm water discharges, cattails have completely replaced saw grass and caused a ripple effect through the Everglades' ecosystem. Cattails grow so thickly that wading birds--the wood storks, white ibises, great egrets, and others have no place to land. They also have nothing to eat, since all this new plant life sucks oxygen from the water as it dies and decomposes, killing algae and the fish that feed on it. The process is known as eutrophication, and the numerical impacts are staggering. As feeding and nesting sites have dwindled, the annual breeding population of wood storks, for example, dropped from 20,000 in 1960 to 1,800 today. The Cape Sable seaside sparrow, dubbed by ecologists an indicator species for the swamp, has dwindled from the tens of thousands to roughly 3,500. Similarly severe declines are reported for American crocodiles, snail kites, and other birds and animals--declines that usually presage outright extinction. "Cattails are the grave marker," says Jones. "But the first sign that things are amiss is saw grass that has had too many nutrients and is fifteen feet high. Wading birds don't care if it's fifteen-foot saw grass or fifteen-foot cattails; they can't land. It's a mess."

Nearly everyone involved in this debate agrees that saving the Everglades requires two basic actions: reducing phosphorus and restoring some or most of the swamp's historic water flow. Both are far easier said than done. It costs many millions of dollars to remove each additional part per billion of phosphorus, and the preferred method--building huge, artificial filtration swamps just downstream from the farms to cleanse the runoff--has had mixed results in tests. Similarly, the only feasible means of restoring water flow is to tear out all the dikes and canals, elevate the bisecting highways, and, above all, convert. a sizable chunk of sugar's precious acreage back into swamp in order to reconnect Okeechobee with the Everglades. Not surprisingly, neither approach has much appeal to an industry accustomed to guaranteed profits and an ever-expanding land base. So for the last decade, sugar makers and their political allies--including a sizable congressional contingent, dozens of Florida officials, nearly the entire state legislature, and, with depressing regularity, the Clinton Administration--have done all they could to ensure that the Everglades problem remains unsolved.

The U.S. Attorney's suit offers a dramatic case in point. After failing to get it dismissed, sugar companies and state officials, including then-governor Bob Martinez, lobbied the justice Department to remove the U.S. Attorney, a Republican named Dexter Lehtinen, from the case. Justice refused, so sugar spent millions of dollars on private research to discredit Ron Jones, Lehtinen's star expert. (During discovery, the state's lawyers were forced to produce a folder labeled "More Dirt on Jones.") Then, after the state broke with the industry in 1991 and agreed to cut phosphorus levels by building expensive filtration marshes, sugar lawyers filed three dozen lawsuits to keep the deal from being implemented. One justice Department attorney called it "the most aggressive and skilled stonewalling I have ever seen."

Sugar hadn't even begun to fight. Stymied in court, the industry wooed friends in higher places, pouring millions of dollars into the 1992 campaigns. The traditionally Republican Fanjuls, for example, played both sides. Pepe vice-chaired the Bush-Quayle Finance Committee, while Alfy joined the Clinton-Gore team, hosting a $120,000 fund-raiser and smoothing Clinton's way into the staunchly Republican Cuban-American community. "Alfy Fanjul became a Democrat because he has an empire to protect," one state Democratic activist told Miami's *Daily Business Review*. "He's developing his own way to be heard."

And heard he was. In March 1993, Alfy Fanjul met privately with Bruce Babbitt, Clinton's new interior secretary, presenting him with an Everglades restoration plan drawn up by Florida Crystals' scientists. And lo! When Babbitt unveiled the administration's restoration plan at a July ceremony, it bore an uncanny resemblance to Fanjul's plan--stipulating, among other things, that state taxpayers would pick up more than half the estimated $700 million for the filtration marshes. Babbitt denied any link between Fanjul campaign dollars and the administration's plan, but Alfy Fanjul himself made no such protestations. Speaking directly after Babbitt at the ceremony, Fanjul held up the new plan as proof that "the Clinton Administration delivers."

Clinton would keep delivering. In 1994, Florida Crystals persuaded Babbitt to turn the Everglades matter back over to the state legislature, thus bypassing the federal courts in favor of a political body over which sugar had enormous sway. Exploiting the home-court advantage, sugar recruited an all-star lobbying team, including two former state house speakers and Governor Lawton Chiles's former chief of staff, then launched a media blitz to down-play the phosphorus problem. "We're talking parts per billion," and "drops in a swimming pool" became standard industry tropes, as did dark hints that development might replace sugar if regulations forced growers out of the EAA.

Victory was never in doubt. At a May 1994 ceremony in Everglades National Park, with Babbitt looking on, Chiles signed the Everglades Forever Act.**3** Written mainly by sugar lobbyists, the new state law capped industry cleanup costs at $320 million, obligated taxpayers for the remainder, and suspended state water standards until 2003, at which point state officials, not federal scientists, would determine an allowable phosphorus level. Efforts to restore water flow met a similar fate. When federal scientists suggested reconnecting Okeechobee to the remaining Everglades by buying and converting nearly a third of the EAA into a massive flow way, sugar interests went ballistic. The administration publicly denounced the scientists and their proposal, effectively signaling that the sugar farms were off-limits for any future restoration efforts. Indeed, by 1996, when administration officials began talking boldly about ripping out dikes and restoring natural water flows--a plan known as the Army Corps Restudy--it was understood that restoration would occur *south* of the sugar farms, even though most technical staff knew that such an exclusion effectively undermined genuine restoration. Editorialists and some environmentalists complained bitterly. But, as he had done with nearly all his liberal constituencies, Clinton exploited divisions within the green community, scolding critics and stroking supporters. By 1996, big groups like World Wildlife Fund and National Audubon Society were not only backing the White House plan but actively criticizing any greens who opposed it.

For many critics, sugar prevailed because it bought lawmakers. Yet the industry's main advantage was to have grasped, earlier than most, how badly Clinton needed Republican-leaning Florida for his reelection bid--and how perfectly the Everglades fit into that strategy. In a trademark Clinton move, the president's team calculated that even a weak restoration plan would still let Clinton look green to urban voters without enraging key contributors, such as sugar and real estate interests, and without undercutting state Democrats--among them U.S. Senator Bob Graham, a Clinton ally and the main architect of Clinton's Everglades policy.

Sugar's presidential aspirations almost backfired. Florida was a GOP prize as well, and by mid-1995 candidates Richard Lugar and Bob Dole had promised hefty restoration packages; Lugar went so far as to propose that they be partly funded through a mechanism sugar abhorred: a growers' tax. To sugar's horror, the White House joined the chorus, dispatching Gore to Everglades National Park to propose a "polluters' tax" and, worse, to promise to convert at least 100,000 acres of sugar farms back into swamp. When Alfy Fanjul made his infamous call to the White House on President's Day, he was apoplectic. "Alfy felt betrayed," says a lobbyist who asked not to be identified. "He'd campaigned for Clinton, delivered a lot of votes, and here was Gore paying him back with a tax. Alfy was actually bitching [Clinton] out. just yelling." Too late. Although the White House dropped the "polluters' tax," the idea had already gained enough momentum to appear on a statewide ballot initiative in 1996. With $13 million in funds, much of it from wealthy donors, a group called Save Our Everglades (SOE) campaigned on the theme of sugar's greed: surely an industry with subsidized profits of a nickel a pound could spare a penny to fix its own mess. The Fanjuls made especially plump targets, with their sumptuous Palm Beach lifestyle, their crass campaign spending, and their foreignness. With months to go till the election, polls showed the industry twenty-five points down and headed for a slaughter.

But again, opponents had misjudged sugar's adaptive powers. In *Striptease*, when the Rojo sugar empire is threatened by a blackmailer, the brothers simply hire hit men and have the body thrown into Lake Okeechobee. In real life, sugar's hired guns were strictly political, but they attacked the environmentalists with the same single-minded intensity. Armed with $23 million in PAC money, sugar companies launched a sophisticated media campaign that painted the initiative as a radical move that would kill jobs and raise everyone's taxes. Latino newspapers and radio were filled with ads comparing one of the initiative's wealthy backers with Castro. Jesse Jackson was brought in to tell black voters that the tax was "a showdown between alligators and people." Seniors and condo dwellers were bused to the cane fields for "informational" tours and a free lunch. Voters heard how the measure would raise property taxes throughout the state, even though the sugar tax applied only to sugar farmers within the EAA. But no blow was too low. When sugar executives learned of a $1,000-a-plate SOE fund-raiser at Miami's Fairchild Tropical Garden, U.S. Sugar announced plans to bus in a thousand workers for a $ 1-a-plate hot-dog dinner on an adjacent lot, forcing environmentalists to cancel. In the final three weeks, sugar outspent its opponents seven to one with a $5.2 million ad blitz. On Election Day, voters crushed the initiative in what a Fort Lauderdale *Sun Sentinel* editorial called "a triumph of disinformation" and "voter confusion, most of it deliberately created by the two largest sugar growers."

With less than twenty-four hours till the refinery opening, Clewiston's atmosphere grows positively manic. Tear-shaped, candy-colored rental cars from West Palm Beach and Miami fill the streets. Upstairs in a conference room of the Clewiston Inn, a white-columned treasure where U.S. Sugar puts up visiting dignitaries, I sit down to an enormous platter of sugar cookies with a crowd of sugar industry officials. Among them are Moira Saucer and Dr. Charles Baker, of the Sugar Association, Inc., a trade group devoted to defending sugar's nutritional reputation from zealots, which, apparently, is a full-time job. The previous week a consumer group reported that American teenage boys drink twenty-eight ounces of "sugary" sodas every day. Saucer is affronted. "There's no sugar in soft drinks--it's all high-fructose corn syrup now," she says, indignantly. "But no one's bashing corn syrup," adds U.S. Sugar's Judy Sanchez. "Reporters skim a book, write a sensational headline, then move on to the next story," continues Saucer. "You tell people that sugar gives you an insulin spike, without ever telling them that that's a normal reaction," says Sanchez. "And it's not even a spike," interjects Dr. Baker. "It's really more of a *curve*."

Over the next hour I am made to understand that sucrose is good for you, or at least no worse than other sweeteners, at least in moderation, and, in any case, Americans aren't eating anywhere *near* as much of it as is claimed by the industry's critics, who blame sugar for hyperactivity, diabetes, obesity, and a host of other ailments. The truth is more complex. It's true that sucrose is no different nutritionally from other simple sugars, such as glucose or fructose, or from any of the other "healthy" sweeteners, such as honey. All are simple carbohydrates and provide four calories per gram. And although there are taste differences--fructose, for example, is considerably sweeter than sucrose--all are employed by the body to supply energy. What's more, despite years of insistence that sugar directly causes hyperactivity or diabetes, these contentions simply haven't been borne out in recent, large-scale studies.

Still, the medical community has serious reservations about sugar's nutritional impact. Unlike complex carbohydrates such as breads, simple sugars provide calories without any other nutrients. Moreover, although sugar intake has not been found to directly cause obesity, the role that sweeteners play in food preference and the ways that sweeteners combine with other high-calorie foods, especially fats, suggest that our rising consumption of sweeteners and our growing girth may not be entirely unrelated. In fact, while the USDA recommends no more than 12 teaspoons (48 grams) of sugars daily for adults, Americans consume four times that amount, an increase of 27 percent over 1970. Ironically, after decades of health fads and low- and no-sugar foods, Americans eat more sweets now than at any time in history--in part because they're easier to get but mainly because, over the past half-century, food companies have steadily raised both the level of sugar in individual products and the number of sweetened products. One fifth of the calories in a can of corn comes from sugars; two fifths in a jar of Prego; one half in Campbell's Tomato Soup; and 94 percent in a bottle of ketchup.

To be sure, food makers add sweetener not simply to entice us with taste but because sugar has miraculous powers as a food additive. It highlights other flavors and gives bulk and texture to cakes and cookies, for example, and viscosity, or "mouth feel," to beverages. Heated, sugar caramelizes, producing a pleasing odor and adding a lustrous, golden-brown color to even the palest microwavable entrees. Sugar blends superbly with fat, reducing its unseemly tendency to coat the mouth.

Of course, sugar's real power is and always has been the almost automatic hold it has on human taste. The higher the sugar content in a particular food, the more we like it, and the more of it we will consume in lab tests--at least until content exceeds 12 percent, which is too sweet for most adults (though not for most children, who happily tolerate concentrations in excess of 20 percent). Craving is so systematic that researchers long suspected a physical mechanism: after observing the way recovering heroin addicts crave sweets, investigators demonstrated that sweeteners stimulate the release of endorphins, the body's painkillers, in rats, and they suspect a similar reaction in humans.**4**

Sugar, in other words, is a mild drug, a natural, relatively safe drug, to be sure, but one whose main effect on humans--causing them to want more of it and to take action to get it--is becoming ever more central to the marketing strategies of food companies. Snack makers, for example, know that products aimed at children can be considerably sweeter than those for adults; bakers know that certain cultures, like the Hispanic, prefer breads with higher levels of sweetener. More significantly, food makers know that once consumers are accustomed to the presence of sweetener in foods not traditionally sweetened, such as corn chips or meat products, the unsweetened version tastes absolutely bland. Whatever else one can predict about the emerging mass-produced, fast food cuisine that increasingly dominates the Western diet, it will be sweeter. All of which helps explain the smiles among sugar company executives, who can, according to USDA estimates, look forward to a domestic demand that will rise 16 percent over the next ten years--or about twice the rate of population growth.

The day of the grand opening dawns clear and hot, and by 10:00 A.M., the grounds of the new refinery are sweltering. Near the plant the refrigerated circus tent is jammed with industry officials and guests. Snatches of "Sugar Sugar" blare over the PA but are mostly drowned out by the roaring crowd, which swells every few minutes as another group returns from tours of the refinery to join the sugar illuminati under the tent. There, by a table of cookies, for example, is Republican John Thrasher, new speaker-elect of the state house and one of sugar's most important allies. Hobnobbing with Thrasher is Democrat Alcee Hastings, an impeached federal judge and current south Florida congressman who has received $42,250 in sugar money since 1991 and is among its more eloquent defenders. Nearby is Republican Congressman Mark Foley, recipient of $76,470. Vainly, I scan the crowd for Senator Bob Graham ($53,450) or the Fanjuls, but I only turn up Dominicis, who gives me a faint smile. Taking a seat next to a smirking news cameraman, I resign myself to one of America's most cherished cultural forms--the factory opening ceremony.

To a suddenly hushed crowd, the beautiful Sarah Scheffler, a former Miss Sugar, stands and belts out the National Anthem, Scheffler's voice is smooth and sweet, the perfect preface to the saccharine rhetoric to come. One after another, company executives, lobbyists, and congressmen extol the virtues of family, farming, and, above all, teamwork, whether in the cane fields or in the capitol. At one point, company lobbyist Robert Coker nearly swoons while describing sugar's part in the just concluded legislative session in Tallahassee--"the most pro-business legislature in twenty-five years." But the prize goes to Fairbanks, the company's gritty, scripture-reading CEO, who, without the least hesitation, boasts how the sugar industry has entered a new era of competition, unfettered by "government subsidies or intervention."

Even here, in this intensely partisan crowd, I'm astonished by the claim. As everyone in the big tent today surely knows, America's sugar industry is among the most subsidized on the planet, enjoying a domestic price of 22 cents a pound while producers in much of the rest of the world get about 8 cents. Each year, critics say, the federal sugar program not only adds $1.4 billion to consumers' bills but funnels some $560 million of it back to domestic producers, who then funnel some back to Congress, which ensures the program's reauthorization under the once-every-six-years Farm Bill. It's a classic political love triangle, obscenely lucrative for the big corporate farms--Florida Crystals makes an extra $64 million annually under the program, followed closely by U.S. Sugar, at $55 million--but also sweet enough to keep even smaller farmers on marginal lands in business. By one congressional estimate, one sixth of Florida's cane farms would fail without the program--a point not lost on those who think sugar should never have come to the Everglades in the first place. No surprise then that critics, like Senator Charles Schumer of New York, have long targeted the subsidy as "one of the most invidious, inefficient, Byzantine, special- interest, Depression-era federal programs."

Sugar companies insist that the sugar program isn't really a subsidy per se, since it costs taxpayers nothing. They reject critics' estimates of added consumer costs, and it is true that even though the program adds $1.4 billion a year to consumer food prices, that's only about $5.19 per consumer. Sugar companies also point out, correctly, that most of the program's biggest critics are also the biggest buyers of sugar--food makers like Hershey, Kraft, Mars, Nabisco, Proctor & Gamble, and Wrigley's--companies that hate the high domestic price of sugar but would be very unlikely, in its absence, to pass along the savings to consumers. As for the program itself, we're told, sugar makers need protection from under priced imported sugar, which is either heavily subsidized by foreign governments or simply costs less to make overseas because foreign planters face fewer environmental or labor laws. "The so-called world price of sugar," argues Dominicis, "is nothing more than a spot market for heavily subsidized dumped foreign sugars." As such, sugar companies argue, the federal program protects sugar jobs--420,000, by industry accounts--and consumer pocketbooks: both times the United States abandoned its sugar program in recent history, 1974 and 1980, world prices skyrocketed to the highest levels ever.

These are lame arguments. Yes, food makers hate the program, and yes, the program costs consumers little, at least directly. Yet the notion that the program protects us from price spikes is boldly disingenuous. In both 1974 and 1980, the price spikes were caused by worldwide shortages and occurred *before* Congress killed the sugar program, which it did because, with prices so high, U.S. sugar makers needed no protection. When prices fell, lawmakers quickly restarted the program. Furthermore, although foreign sugar is heavily subsidized, these handouts don't distort the world price nearly as much as the industry claims. When analysts factor in all sugar programs worldwide, the adjusted world price is around 16 cents a pound--or about a nickel less than American consumers are forced to pay.

Granted, many foreign growers also benefit from lax regulations. But often their biggest advantages are nothing more "unfair" than a warmer climate, like Brazil's, or a more efficient industry, as in Australia. For when all is said and done, America, even semitropical southeastern America, is simply not the best place to grow cane sugar, and it shows. Whereas U.S. cane producers spend $375 producing a metric ton of raw sugar, Australians, with their better soils and climate and greater investment in breeding, milling, and shipping technologies, spend just $255 per ton. "Paying lavish subsidies to produce sugar in Florida makes as much sense as creating a federal subsidy program to grow bananas in Massachusetts," quips James Bovard of the virulently anti-subsidy Cato Institute. "The only thing that could make American sugarcane farmers competitive would be massive global warming."

In fact, the sugar program was created to defend sugar growers not just from unscrupulous foreigners but also from their own greed and miscalculations. The current program, for example, was created after the 1974 price spike encouraged farmers to plant too many new acres, which ultimately flooded the market and killed prices. To rescue overextended U.S. growers, Texas Democrat E. "Kika" de la Garza, chair of the House

Agricultural Committee, pushed through guaranteed loans for sugar farmers. Under the program, government financed each year's crop, basing the loan amount on the projected sale price. If government pegged future sugar prices at, say, 13.5 cents a pound, farmers were guaranteed that rate for their crop. If market prices fell short, the farmer could forfeit his crop to the government instead of paying off the loan, leaving the government to recoup its losses by selling the sugar when prices improved. But this sweet deal had a bonus: when forfeiting, the farmer paid the government neither interest nor the expense of marketing the crop--costs that typically add 2.5 cents a pound. Thus, if the guaranteed loan rate were 13.5 cents, the market price would need to exceed 16 cents before the farmer had any incentive to sell his own sugar. Anything under 16 cents, and a farmer made more money forfeiting.

The deal gets even sweeter. Lawmakers initially set loan prices too high, forcing the government to buy several hundred thousand tons of forfeited sugar in 1977 and 1978. But rather than reduce the loan rate a political impossibility--the government tried instead to keep the market price above the forfeiture level via an even more brazen protectionist move: restricting sugar imports. This, too, proved disastrous. Trade officials routinely misread the sugar market. In 1985 trade officials let in too much foreign sugar, killing domestic prices and prompting the forfeiture of 430,000 tons of sugar--which the government eventually had to sell, to China, for 5 cents a pound. When Reagan then slashed imports to help American producers, he starved American refiners, who depended on raw, sugar imports, driving half of them out of business.5

None of this pain was felt by sugar growers. Of the 430,000 tons forfeited in 1985, for example, some 300,000 came from Florida Crystals and U.S. Sugar, for whom forfeiting sugar was simply more profitable than selling it. That same year Florida Crystals was able to buy out a rival sugar company's holdings in the Dominican Republic. The deal netted the Fanjuls half of the island's sugar lands and, significantly, half of the island's U.S. import quota, which meant that the Fanjuls could grow sugar on the cheap but sell it in the high-priced U.S. market. In other words, after complaining about how foreign producers exploited cheap labor and lax environmental laws, Florida Crystals would be doing exactly the same thing itself. 6

The federal sugar program is, without question, liberalism at its worst: a well intended venture that has outlived its usefulness, warped the political system, and is helping to destroy a unique environment. And yet each time reformers try to remove or even reduce the program, they're outmaneuvered by a political entity that is willing to craft alliances whenever and with whomever it needs to. Tobacco and peanut farmers support sugar because sugar always comes to their aid. Corn farmers defend sugar because a high price for sugar means fantastic profits for makers of more cheaply produced high-fructose corn syrup.7 Unions support sugar because labor believes that without the program sugar jobs go overseas. Together, they and their congressional representatives form a voting bloc that no reformer, committee chair, or even president can afford to cross. When Reagan tried to limit the program in 1981, sugar interests, led by Louisiana Democrat Congressman John Breaux, stopped him cold by threatening to scuttle the Gipper's budget. "I can't be bought," Breaux cackled later, "but I can be rented." And when Senate opponents tried again in 1990, Florida's Bob Graham, in a deft bit of environmental blackmail, convinced his colleagues that without the loans Florida's cane growers would not be able to honor an earlier commitment to pay for half the cleanup costs in the Everglades. (Six weeks after Graham saved the program, sugar companies backpedaled, insisting they'd pay only a tenth of the cleanup costs. Graham later claimed that-the industry's promises had been "informal.")

All this pales in comparison to the antics during the Farm Bill of 1995--year that, by conventional political measures, should have seen the sugar program's death. Environmental anger over the Everglades had merged with the anti government zeal of the newly Republican Congress, which targeted "corporate welfare" and farm subsidies as major evils. Sugar refiners had also broken ranks with sugar growers, joining with candy makers, free, traders, and environmentalists in a large, well-funded coalition to defeat the sugar program. By May 1995 two of sugar's biggest critics--Democrat Schumer of New York (whose then congressional district contained a refinery) and Republican Dan Miller (from a caneless district in Florida) had recruited forty-seven Democrats and seventy-one Republicans to cosponsor a five-year phase out of the program, then persuaded

Pat Roberts, House agriculture chair, to add their amendment to that holiest of political holies--the Farm Bill.

Sugar didn't blink. Companies poured $2 million into congressional coffers, then launched a brilliant, no holds-barred P.R. campaign. At congressional hearings, lobbyists shamelessly trotted out charts showing the bogus link between program cancellation and the price spikes of 1974 and '80. They hired Bonner & Associates, a Washington based firm that specializes in defending distasteful issues with phony, or "astroturf," grassroots campaigns. Bonner bombarded lawmakers with scripted calls and letters from "voters" urging support of the sugar program and even claimed, in many cases falsely, that the program had support from civic groups and churches. **8**

Over the fall of 1995, reform fizzled. In the House Agriculture Committee, sugar's farm allies threatened to sink the entire Farm Bill unless sugar was exempted. Such a prospect horrified Republicans, who were desperate to give presidential candidate Bob Dole at least one legislative accomplishment going into the primaries. Faced with revolt on his own committee, agriculture chair Roberts caved, exempting sugar from the Farm Bill and forcing a separate vote. On February 28, 1996, the Miller-Schumer bill lost by five votes. Humiliatingly, six of the nays came from Miller-Schumer's original cosponsors. **9**

Miller blames sugar money, but he also criticizes Clinton, who--perhaps still smarting from Fanjul's phone call ten days earlier--didn't lobby House Democrats. According to Miller, House minority leader Dick Gephardt even pressured Schumer "to stay away from the issue in order for the Democrats to pick up more seats. I don't think the White House had much interest in reforming the sugar program."

Miller was crushed. The sugar program had escaped with only minor modifications, and industry was not feeling especially magnanimous in victory. When the two-term Republican congressman returned home for his own successful reelection bid, he found his office picketed by growers, then heard rumors that the industry was offering any politician who would challenge Miller $500,000 in campaign funding. Sugar's allies, meanwhile, were shameless. "I ain't no Johnnie Cochran," crowed Republican Senator Larry Craig of Idaho, who received $59,602 from sugar that congressional session, "but I can defend the sugar program."

For the time being, such defense seems unnecessary. The next Farm Bill isn't reauthorized until 2002 at the earliest, and reform efforts in the meantime seem unlikely. Even after paring back their reform measure, Miller and Schumer saw bills in 1997 and 1998 defeated by even larger margins, as erstwhile allies mysteriously lost interest. "It was blatant," says one reform staffer who asks not to be identified. "We would be talking to a member and be told that, because the anti-sugar coalition hadn't been very generous with contributions this time, they were going to vote with sugar." **10**

In Florida, it's the same story. In 1998, sugar lobbyists hammered through a variety of pro-sugar bills, including one to give state lawmakers line-item control over all future restoration efforts--in essence, handing the issue once again to the one legislative body most in sugar's pocket. In the end, Governor Chiles vetoed the bills, but only after weathering yet another phony grass-roots call-in campaign. At the time, Chiles's office reported receiving hundreds of calls from people "who sounded confused or uncertain, and [our operators could hear] people in the background coaching them." When questioned, callers admitted that they were canefield workers, adding that "they had been told by their employer they would lose their jobs" if the bills were vetoed.

Whether newly elected governor Jeb Bush will continue the tradition of sugar today is yet to be seen. This summer, Bush surprised environmentalists by arguing for a phosphorus standard of 10 ppb--lower than industry had asked for. At the same time, however, Bush has fought to keep all enforcement of that standard at the state level. And as for the sugar growers themselves, although the new refinery signals that U.S. Sugar is here for a while, Florida Crystals' long-term strategy has never been as certain. The topsoil on its farms was thinner to begin with and thus far more vulnerable to subsidence. That, say critics, makes it far more likely that the family will farm until the land no longer supports sugar; then they will sell their acreage to developers and move offshore, a threat the Fanjuls have been making for years.

The swamp itself has no such escape clause. Although a federal judge is expected to rule sometime this year on a deadline for the state to issue a phosphorus standard, it's not clear how such a standard will be met. In tests small filtration marshes have cut phosphorus levels in outflow waters down to 20 ppb--still twice the recommended level-but federal and state scientists expect the effectiveness to drop sharply as the super expensive filters saturate with phosphorus.

Even gloomier are prospects for a restoration of historic water flows. Despite all the bravado Gore displayed as he presented the administration's plan to Congress in July--"after three years of work, we now have a final plan that is terrific for the environment, terrific for communities, terrific for business, and saves a world and national treasure"--the plan gets poor marks from Everglades scientists. Researchers praise the goal of removing some 240 of the 1,800 miles of levees and canals. But because the plan would convert just 50,000 acres (rather than the recommended 150,000 to 200,000 acres) of sugar farms into rain reservoirs, scientists say it fails to reconnect Lake Okeechobee and the Everglades, or reverse the cycle of drought and flood that have pushed the swamp into a coma. As a result, the various chunks of the remaining pristine Everglades--the national park, several state preserves, and the lands owned by the Micousoukee tribe--now exist in a kind of eco-competition, fighting to get enough water in the dry season and avoid it in the wet season. In a report last year, the science staff at Everglades National Park rejected the plan because it "largely retains the fragmented management and compartmentalization characterizing today's Everglades." The staff found "insufficient evidence" to suggest that the Clinton plan would bring "recovery of a healthy, sustainable ecosystem" and, in fact, found "substantial, credible and compelling evidence to the contrary."

Still, if the plan is not exactly what doctors ordered for a sickly ecosystem, it truly is, as Gore notes, "terrific for business." In a deftly timed move to help the struggling presidential contender woo Florida's politically powerful development lobby, the Clinton plan guarantees the urban southeast coast enough water for roughly twice its current population-- even while depriving the Everglades of sufficient water in the dry season. "They've turned 'restoration' into a huge water-supply project," gripes Joe Browder, Washington environmental consultant and a longtime Everglades advocate. And, of course, sugar companies just love the Clinton plan, since it won't cost them a dime, doesn't interrupt their irrigation or drainage regimens, takes only a small chunk of farmland, and, best of all, makes it considerably easier to sell the public at large on the concept that the Everglades "problem" is being taken care of. This summer, less than two weeks after Gore sent his $8 billion restoration plan to Congress, President Clinton wrapped up his inner-city tour by jetting down to tony Coral Gables for a $25,000-per-couple Democratic fund-raiser. The host was none other than Alfy Fanjul, who was probably in a cackling good mood, knowing that all the talk of a substantial change in the Everglades status quo had been just that--talk--and that, at least for America's sugar barons, it would be business as usual for the foreseeable future. During a newspaper interview, Fanjul opined that Bill Clinton had been "a great president."

Out in the swamp Freddy Fisikelli points his airboat northward. We pass an old fishing camp--essentially, a mobile home on stilts, with two airboats tied out front and four men sitting on the deck, drinking beer and staring at us. No one is fishing. Fisikelli waves and cruises by, moving slowly, keeping the big V-8 quiet enough for conversation. He tells me how he used to want to be a cowboy, back in the 1930s and '40s, when cattle, not cane, was king in the Everglades. He talks about hunting for duck and deer and boar, and how he first began to notice the changes the dwindling numbers of birds and animals, the bizarrely huge vegetation, even the way the swamp had begun to smell. Fisikelli falls silent for a moment. Up ahead, still out of sight, is a massive floodgate known as S-10, which lets out water from the farms into the Water Conservation Areas. Phosphorus around S-10 has been measured as high as 500 ppb, and the closer we come to the floodgate, the more the saw grass gives way to cattails, many of them incredibly tall from the overly fertilized soils below. Fisikelli eases back on the throttle and lets the boat drift on the molasses-slow current. I peer over the edge of the airboat. The water is murkier here, and the minnows are gone. "Smell that?" he asks. The once-fresh breeze is now tainted with the slightly sulfuric scent of rot, as the overabundant cattails die and decompose.

Fisikelli shakes his head, then slowly turns the boat around, and heads back south, toward cleaner water and away from the smell of money.

Report from *Harper's Magazine*/November 1999

On the Conservation Front *News and commentary from*

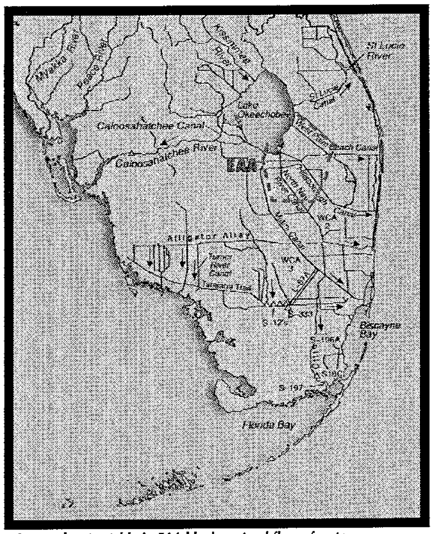
Buyout May Be Best Way to Re

The following guest editorial is by Mark Perry, director of the Florida Oceanographic Society in Stuart. As a scientist who has researched South Florida's ecosystem for three decades, Perry provides important insights regarding the critical problems facing our waters.

When Florida was admitted to the Union in 1845, one of the first acts of the state legislature termed the Everglades "valueless to the United States" and asked Congress to grant to the state all these lands on the condition that the state drain them.

In 1850 Congress conveyed 20 million acres of swamp and overflow lands to the State of Florida to aid the state in "reclamation" of these lands by drains and levees. Millions of acres were sold and contracts for drainage provided the state a way to deed land in consideration of the cost of drainage, giving 1 acre for every 25 cents expended by the private companies. By 1911 there were upwards of 15,000 owners of lands in the Everglades.

The conclusion of a Senate document in 1911, stated that, "Plans have been laid out for the drainage and reclamation of the Everglades by means of lowering the waters in Lake Okeechobee and the reduction of the water level in the Everglades, thus making available and habitable approximately 3,000,000 acres of exceedingly fertile lands, and funds have been provided to complete the work which is now one-third completed."



Lowered water table in EAA blocks natural flow of water.

During the drainage era of 1906 to 1927 a canal was built connecting Lake Okeechobee to the Caloosahatchee River for the purpose of lowering water levels in the lake and to aid in draining the northern Everglades to "reclaim" land for farming. Dredging of the Miami, New River, Hillsboro, West Palm Beach and St. Lucie canals provided additional drainage for the agricultural area south of the lake. An 8-foot muck dike was built along the lake's south shore to protect residents but during the hurricanes of 1926 and 1928, massive amounts of damage occurred and many lives were lost. In response, the federal government initiated flood control measures and in 1930 the U.S. Army Corps of Engineers began construction of the Herbert Hoover Dike, 32 to 45 feet high, around the lake. The Corps also enlarged the Caloosahatchee and the St. Lucie canals.

The drainage, dikes and levees would alter the natural Everglades watershed and bring about severe environmental consequences.

Between the 1930s to mid-1940s South Florida was subject to alternating periods of drought and severe flooding. The natural water cycle of the Kissimmee-Okeechobee-Everglades watershed was being changed dramatically. Prior to the drainage work, the "River of Grass" would flow slowly south from the Kissimmee River valley to the lake, then continue south through the Everglades. The vast sawgrass plains south of Lake Okeechobee would take up the water and nutrients and the water would evaporate and transpire from the sawgrass into the air and be blown north again to rain over the Kissimmee valley.

We know now that this cycle of water was and is critical to the health of the Everglades. The spectrum of life that depends on this system is incredible; at stake is everything from habitat for rare wading birds to drinking water supplies for human residents. What took millions of years for nature to engineer took man but a few decades to disrupt.

In 1948, Congress authorized the Central and Southern Florida Project for Flood Control and other Purposes to provide both flood protection and adequate water supply for agriculture and urban development. This massive water management project started by the Corps of Engineers in 1950 and essentially completed in the 1970s, includes more than 1,000 miles of levees and canals, 150 gates and control structures and 16 major pump stations. Congress also authorized the channelization of the Kissimmee River for flood control in 1954. Canal construction in the Kissimmee River began in 1961 and took 10 years. The 90-mile, meandering river was replaced by a 52-mile canal (C-38), and the seasonal flooding of the river's 2-mile-wide floodplain was eliminated.

During the late 1950s and early 1960s an area of 700,000 acres south of Lake Okeechobee was enclosed by levees and drained by canals to form the Everglades Agricultural Area (EAA). The EAA water table is held to about 2 feet below the soil surface to protect crops.

move Reckless Drainage Acts

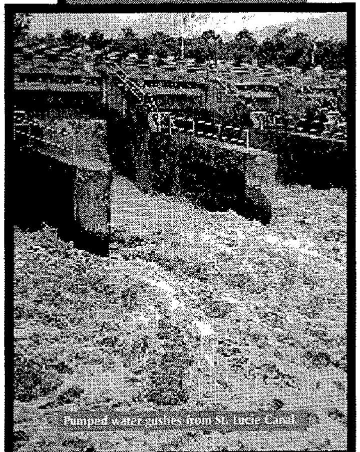
Seven large pump stations can control the moving of water to or from Lake Okeechobee as needed. Only 50,000 acres were farmed in the early 1900s but today sugarcane farms cover 88 percent, or 575,000 acres; winter vegetables, rice and sod farms cover about 125,000 acres. The EAA now has 15 project canals and 25 control structures that provide drainage and water supply for irrigation. This system is operated and maintained by the South Florida Water Management District.

Much of the water that originally flowed from the Kissimmee River and Lake Okeechobee into the Everglades is now diverted into the Gulf of Mexico by the Caloosahatchee Canal and to the Atlantic Ocean by the St. Lucie Canal and smaller canals south of the Lake. The volume of flow is staggering at times, up to 1.7 billion gallons per day. Water is pumped from the EAA into the Water Conservation Areas (WCAs), but the timing and distribution differs from the natural flows and the amount of water discharged is greatly reduced. As a result, water levels in the Everglades generally are shallower and subject to shorter wet periods than before.

Enter the "Restudy"

After 40 years of water mismanagement, Congress authorized the Central and Southern Florida Project Comprehensive Review Study, known as the C&SF Project Restudy in 1996. The purpose of the Restudy was to reexamine the original 1950s Project, "to determine the feasibility of structural or operational modifications to the project essential to the restoration of the Everglades and the South Florida ecosystem, while providing for other water-related needs such as urban and agricultural water supply and flood protection in those areas served by the project." A final report submitted to Congress in July 1999 states that, "The recommended Comprehensive Plan contained in this report will, when implemented, restore, protect, and preserve a natural resource treasure—the South Florida ecosystem."

The Restudy Plan has 50 construction features, 9 operational features and 6 pilot projects. The main features would create approximately 217,000 acres of new reservoirs and water treatment areas. The Plan will cost $7.8 billion to implement and an estimated $172 million for annual operation and maintenance. The construction cost will be split 50/50 between federal and state funding sources; Florida will pay for all of the operation and maintenance.


Pumped water gushes from St. Lucie Canal

Main Goal Still Favors Agribusiness Rather Than Restore Nature

Of the 50 construction components in the Restudy Plan, 17 have some environmental benefits. One would remove levees, canals and water control structures in Water Conservation Areas 3A and 3B to reestablish some sheetflow to the Everglades and Big Cypress National Preserve. The other 32 components in the Plan, however, include construction of dikes, levees and pump stations for above-ground reservoirs and water treatment areas, known as Stormwater Treatment Areas (STAs). The Plan also depends a lot on underground water storage in 300 aquifer storage and recovery (ASR) wells, deep wells capable of pumping 1.6 billion gallons per day into underground storage zones. Pilot projects for the ASR technology are still required to prove their effectiveness. Two components include major expansions and new wastewater treatment plants in south and west Miami, costing $400 and $300 million.

Adjust or restore

One concern I have with the Restudy Plan is that the basic purposes of the original 1950 C&SF Project are still the same: flood protection, drainage and water supply for agriculture and urban residents. The restoration of the South Florida ecosystem, while mentioned in the Plan, takes a back seat.

The major portion of the Restudy Plan adds new water control systems to adjust things rather than restore the natural system. Canals, levees and dikes went beyond flood control and into drainage of vast areas, forcing billions of gallons of polluted fresh water to the ocean. The Kissimmee, Caloosahatchee and St. Lucie rivers were drastically changed by this kind of manipulation, so it should come as no surprise

continued page 170

All Discharges Could Stop

that many conservationists are skeptical of a plan which adds even more artificial components to the system.

Take for example the St. Lucie River. The St. Lucie Canal (C-44) was built between 1916 and 1929 to connect Lake Okeechobee to the St. Lucie River. Prior to that time, the St. Lucie was its own watershed, fed by the meandering north and south forks, and not connected to the Kissimmee-Lake Okeechobee-Everglades system. The St. Lucie Canal allowed flood control releases from the lake, and over the years, the fresh water brought tons of silt, covering the river bottom with a 6-foot layer of muck that smothered oyster beds and seagrasses. But the St. Lucie Canal also provided a way to drain many thousands of acres of land now used for raising crops and livestock. In addition, the canal supplies 25 permitted water users with between 36 and 49 billion gallons per year for irrigation and water supply, circumventing the need for on-site retention and irrigation wells and reservoirs on private lands.

Perpetuating unnatural flows

The component of the Restudy regarding the St. Lucie Canal is the C-44 Basin Storage Reservoir, 10,000 acres surrounded by a levee, capable of holding water levels up to 4 feet above grade. The stated purpose is "to capture local runoff from the C-44 Basin, then return the stored water to the C-44 when there is a water supply demand." Recent proposals include a wet STA (stormwater treatment area) to be connected as an overflow for the reservoir, thus cleaning the water before it is returned to the St. Lucie estuary. Other nearby canals and waterways would benefit from similar reservoirs and STAs, all designed to slow the unnatural flow of fresh water and reduce the loading of nutrients, pesticides and suspended material.

Our concern is that the Restudy Plan proposes to treat pollution as an acceptable byproduct of agriculture, rather than stop it at the source. The water quality and water quantity problems should be handled upstream, where they originate, and not downstream by building and operating large reservoirs and STAs.

Perhaps the solutions are not easy but they may be more simple than adding more man-made systems to manage. Restoring the natural systems would not only be a popular goal, it is most likely the best solution.

We have recognized the mistake of channelizing the Kissimmee River and now we should continue work to backfill the canal, take out the water control structures and restore the river and its floodplain. This would naturally slow and filter the water before it enters Lake Okeechobee.

The historical flow of water south from Lake Okeechobee through the Everglades should also be restored. This was the primary source of water for the Everglades; it is what created and sustained this precious ecosystem. Canals, levees and structures should be removed to reestablish the natural sheetflow of water.

Ultimately, we should buy back all or most of the EAA and restore the vast, shallow sawgrass marsh that once slowly carried water to the Everglades in what is termed a sheetflow. This would eliminate discharges to the St. Lucie and Caloosahatchee estuaries and would reestablish the hydrology to sustain South Florida. There would be enough water to recharge natural groundwater systems, prevent saltwater intrusion and begin to restore the diverse plant and animal life that once thrived in the Everglades.

How feasible is a buyback? Current land values in the Everglades Agricultural Area are based on two concepts. The agriculture use value for taxation ranges from $500 to $1,150 per acre and the market value is between $3,500 and $5,000 per acre under existing drainage systems.

The entire Agricultural Area covers 700,000 acres; calculated at the highest market value of $5,000 per acre, the land would cost $3.5 billion. It might take another billion for various forms of compensation and adjustments concerning relocations.

Buyout could cost less

Compared to the $7.8 billion we expect to spend on the Restudy Plan, and the $172 million per year required for operation and maintenance, a total buyup of the EAA is certainly worth considering. There may not be eager sellers but the government condemns property every day for road rights of way and the public good. This should be of equal importance.

Should we continue to subsidize agriculture in the form of providing drainage and irrigation water at the expense of Lake Okeechobee, the Everglades and our estuaries? If we truly want a "sustainable" South Florida we need to take steps now and in the right direction.

—Mark Perry

"Ban Beaters" Beating Their Dollar Drums

Back when proponents of the gill-net ban suggested that hand-thrown castnets could in the future catch sizable quantities of market fish, commercial fishing forces angrily scoffed at the idea.

Nonsense, the netters argued, saying their livelihoods would be ruined without their gill-net entangling gear, each of which was typically the length of six football fields.

Now, going on five years since the gill-net ban, commercial cast netters are humming happier tunes.

None other than the industry's *National Fisherman* has joined the chorus.

Under a headline "Beating the Ban," the publication tells of single cast netters taking up to 3,000 pounds per day and selling them for $1.75 for the insatiable Asian roe mullet market.

That totals $5,250 for the day's casts, "not bad money for a day's work in a low-overhead fishery," extolls the article.

Florida mullet is making a strong comeback "to the surprise of almost everyone," it is claimed. Actually, the return of mullet is no surprise at all to those who advocated the gill-net ban. They predicted exactly that.

Moreover, *Florida Sportsman* warned that cast nets, while not banned by the constitutional amendment, may in the future require more restrictions if overfishing occurs. In Texas, for instance, cast nets are not allowed to be used at all for commercial fishing.

It turns out that many cast nets have been rigged with large-mesh monofilament to actually gill net fish rather than seine them in the traditional cast net manner.

The Florida Fish and Wildlife Conservation Commission has the ability (and duty, many say) to prohibit the conversion of cast nets into gill nets. The distinction between net types is simple. A seine net mainly gathers fish into a pocket, whereas a gill net primarily entangles fish by the gill or body part. Once gilled, an undersized or unwanted fish usually cannot be released alive and entangling gear is identified with much waste, not to mention overfishing.

—Karl Wickstrom

Openers

Calling All Sugar Daddies

You're a Sugar Daddy.

Me too.

Actually, we're chumps.

Collectively, as a society of sorts, we've sat by while our precious watershed the size of Maryland was ruined. For the quick, big profits of a select few.

We've done the dark deed with our very own public money, using our own often-compromised politicians.

It's scary when you think about the disaster we've visited on our natural system.

I'm referring to the huge Everglades Agricultural Area, the size of Rhode Island (since we're conjuring up state sizes). We mistakenly created the agriculture zone to reclaim wetlands then thought to be expendable. It's an environmental genocide.

Now, there may be a way out. Let's consider buying up that Rhode Island. For about five billion bucks.

Then restore the "sheetflow," the slow-moving, higher-water table movement that ran, or crawled, from the Kissimmee Valley and Lake Okeechobee down through the Everglades and to the Florida Keys. Our natural plant and animal life, not to mention drinking water, is largely at stake.

A current "Restudy" program would tinker further with reservoirs, dikes and canals in an attempt to hang on to the EAA, restore some sheetflow and stop pumped discharges into the estuaries. The Restudy is to cost eight billion. We're all for it. But we fear it may not work.

Better, perhaps, to get rid of the problem at the source. The buyout could include generous payments for salaried EAA workers and fair returns to the barons. They got the land for next to nothing and influenced government (us) to reclaim and subsidize operations.

One factor most of us don't quite realize is that the EAA water table is held down two feet and more, unnaturally, year after year, through our drainage system. The land value shouldn't be based on the artificial water-table manipulations. It's not that the damage was done entirely by some long-lost souls of a century ago.

It's continuing today, and tomorrow.

The maddening history of our unfortunate Drain Machine is described this month by Mark Perry in a guest editorial that suggests purchasing the EAA.

Lest you haven't learned of the changes wrought by irresponsible reclamation and development, consider this sentence from a report by the U.S. Geological Survey:

"These changes include large losses of soil through oxidation and subsidence, degradation of water quality, nutrient enrichment, contamination by pesticides and mercury, fragmentation of the landscape, large losses of wetlands and wetland functions, and widespread invasion by exotic species."

That's just part of it.

(See On the Conservation Front in this issue. For additional valuable information on the EAA and sugar industry, see floridasportsman.com/confron.)

Karl Wickstrom

Openers

A New "River of Grass"

As a world-class fisheries giant, Lake Okeechobee seems to be dying. The end may come sooner than later.

While this proud patient in critical condition needs emergency care now, he may instead be getting Band-Aids, along with tiresome promises of better times in a long-away future.

The death certificate for Big O might give the cause as pollution due to excess nitrogen and phosphorous.

Proposed new flow zone (arrows

Nope.

That would be only partly true.

The main cause?

High Water.

The level of Lake Okeechobee has been kept artificially high with dikes, locks and pumps. So high that crucial vegetation is mostly gone. So high that bass and specks are mostly gone. So high that normally pristine waters are mucky and oxygen deprived.

That's the assessment of the usually understating Fish and Wildlife Conservation Commission (FWC), whose biologists warn of imminent death for the huge lake known nationwide for spectacular fishing, a recreational bonanza worth hundreds of millions.

Efforts to lower the lake, a little, are under way, as described in On the Conservation Front. Many say it's too little too late, especially with coming storms likely.

The real problem is that the natural "sheetflow" just south of the lake has been cut off in order to reclaim land for agricultural interests, mainly sugar cane growers. Man's drainage schemes hold down the water table in agricultural lands while the lake itself is kept high for irrigation, and to a much lesser extent for urban areas.

It's completely unnatural. Unless we let a lot more of that drained land be wet again, we'll never really solve much. In short, we've got sugar land where water belongs.

In our May issue, an editorial by Mark Perry, director of the Florida Oceanographic Society, traced the ugly history of our drain machine and suggested we buy out Big Sugar. Let that 700,000 acres go wet and sawgrassy again, like it's supposed to be.

If that's too big a bite to chew, we should consider condemning, if necessary, a third of the subsidized crop land, roughly between Miami and North New River Canals, to establish a sheetflow—a River of Grass again.

We (including a number of scientists) believe that would solve most everything—and stop disastrous discharges to the west and east that are ordered only because King Ag wants his politically supported profits protected at all costs.

Call the restored zone the "West Side River of Grass."

The new zone could lower the lake, raise the surrounding water table, trigger incalculable economic benefits for lakeside communities and provide our Everglades the more natural system it must have.

The giant would live. And be stronger than ever.

Karl Wickstrom

'Amazing' sequence of events shows water mismanagement

Editor's note: Mark D. Perry is executive director of the Stuart-based Florida Oceanographic Society. He has resided in Martin County since 1957 and has been associated with the society since 1978. The opinions expressed here are solely his own and do not necessarily reflect those of the society.

Comment
Mark D. Perry
Special to the News

The past month has been an amazing time. The South Florida Water Management District board decided to "save Lake Okeechobee" in late April (for years they have known that the lake was in trouble). Open the gates on April 26 and "share the adversity" was the plan to get the level down to 13 feet and hold it there for eight weeks. Billions of gallons and tons of sediment went east and west giving major impact to the St. Lucie and Caloosahatchee estuaries. Did any water flow south? Minor flows went south, but twice during the 26-day period the gates south through the Everglades Agricultural Area (EAA), mostly sugar cane, were closed because of "potential flooding" and "gate maintenance." Amazing!

If you're serious about restoration of the Everglades, then I ask that you consider restoring the (Everglades Agricultural Area) to the "River of Grass" described by Marjory Stoneman Douglas, reconnecting Lake Okeechobee to the Everglades with the great sheetflow of sawgrass. It can be done. We have the ability.

After a dry 26 days on May 21 the discharges to the estuaries were stopped and Frank Finch, executive director for the water district, held a press conference. He praised "Mother Nature" for her cooperation and said we need to depend on her for our future water situation. Isn't that amazing — the district actually recognizing "Mother Nature" as a possible working partner in water management? Could it be that God's original water management plan for the Kissimmee/Okeechobee/Everglades system might actually work? Amazing!

And now, with the lake level below 13 feet, the water flows south at an amazing rate, but it is all for irrigation. None of it reaches the water conservation areas and the Everglades are on fire. Amazing! Dry everywhere, except in the Everglades Agricultural Area (EAA), mostly sugar cane. And all this irrigation water is supplied free of charge.

You mean we just dumped 104 *billion* gallons in 26 days to the ocean and gulf while in Martin County we paid $1.80 per 1,000 gallons? That's $187 million! At an average consumption of 110 gallons per day, per person, all of the South Florida District — 6.2 million people — could have had a 5-month supply of drinking water. Amazing!

Then on May 11 U.S. Senators Bob Graham and Connie Mack appealed to U.S. Agriculture Secretary Dan Glickman to buy 150,000 tons of surplus sugar at $60 million (20 cents per pound, while the world market price is 6 cents per pound). Reach into your pocket again because under the federal program we will probably have to buy another 150,000 tons for $60 million in the next few weeks so that sugar companies won't have to forfeit their loans to the federal government. Amazing!

Then I learned that last year the water district spent $133 million on the Talisman properties in the EAA as part of the Save the Everglades efforts, then leased it back to Talisman Sugar Corp. to continue farming until 2005 or 2007. And this could be extended. Why continue a subsidized farming practice on public land meant for restoration that also adds to the phosphorus problems in the Everglades? Amazing!

Does all this make sense to you? Mismanage the lake to a critical time, dump billions of gallons of water and tons of sediment into state- and nationally protected estuaries, starve the Everglades of water until it catches fire, provide all the drainage and free water to the EAA (mostly sugar), buy land for restoration of the Everglades then lease it back to sugar farming, which continues a subsidized non-food crop and pollution to the Everglades. Amazing! Simply amazing! Is this mismanagement of public water resources and public tax dollars?

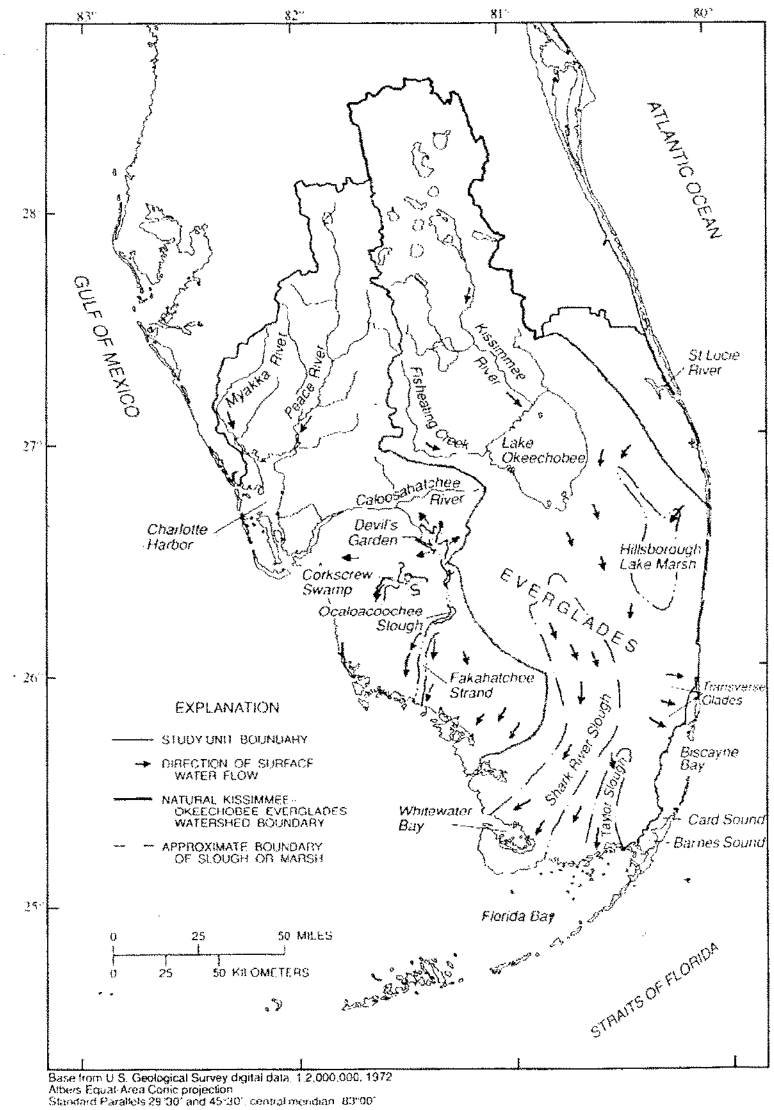
Congress is ready to appropriate $7.8 billion to implement the Restudy, now called the Comprehensive Everglades Restoration Plan (CERP). I ask that you carefully consider what those 50 construction projects are actually going to do to restore the Everglades.

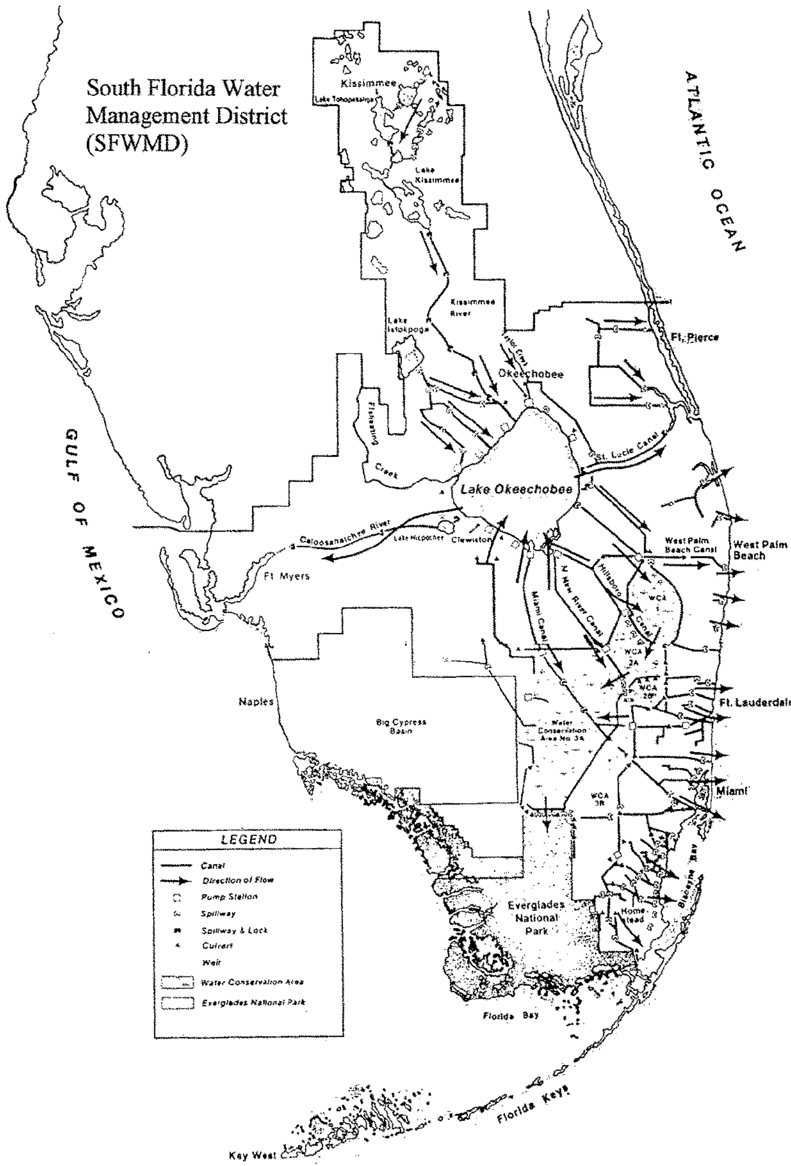
If you're serious about restoration of the Everglades, then I ask that you consider restoring the EAA to the "River of Grass" described by Marjory Stoneman Douglas, reconnecting Lake Okeechobee to the Everglades with the great sheetflow of sawgrass. It can be done. We have the ability. We have restored many rivers across this country. Why not this one?

Now is the time before the destruction goes beyond repair. Now is the time to begin to fix the mess we have made. Let's consider restoring God's plan for the water in Florida. He is certainly more capable of managing the resources than we are.

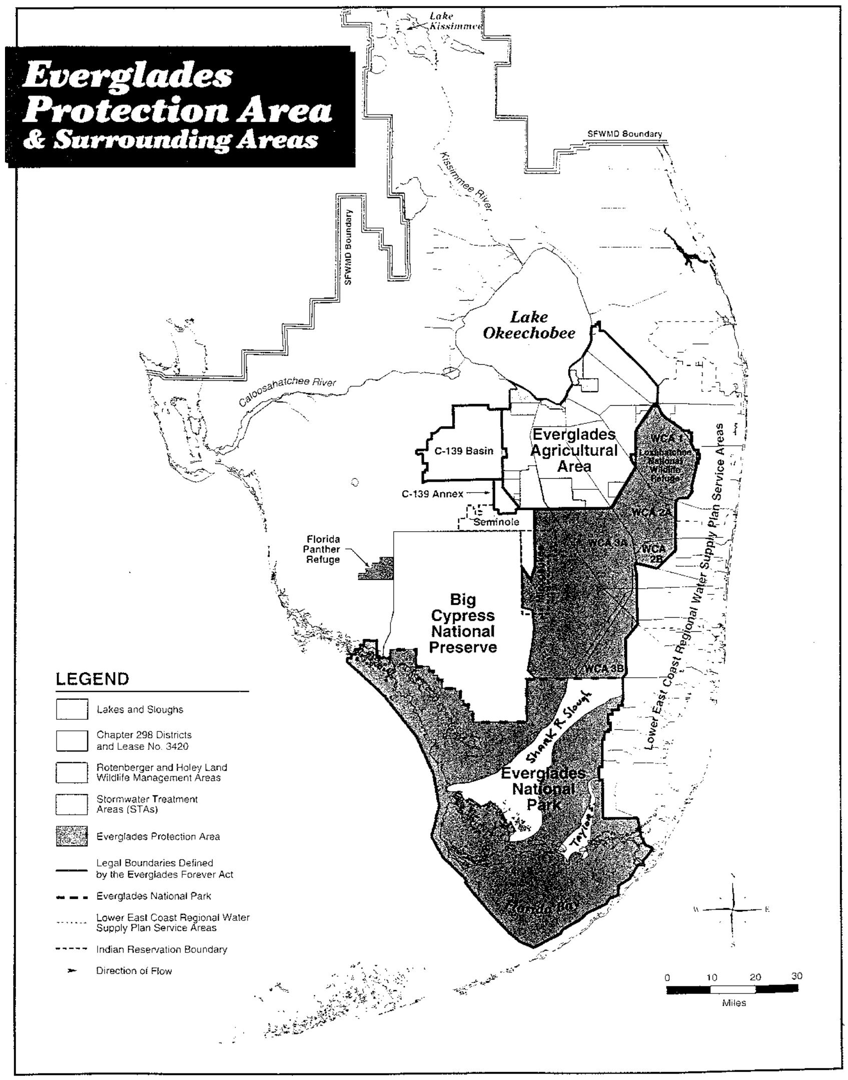
The Florida Oceanographic Society, founded in 1964, promotes the knowledge and understanding of Florida's marine resources through education, public awareness and the support of scientific research. The society operates a visitor center and a coastal science center on Hutchinson Island. For more information visit its website, www.fosusa.org or telephone 561-225-0505.

Hydrological features and the natural direction of surface-water flows under predevelopment conditions in South Florida

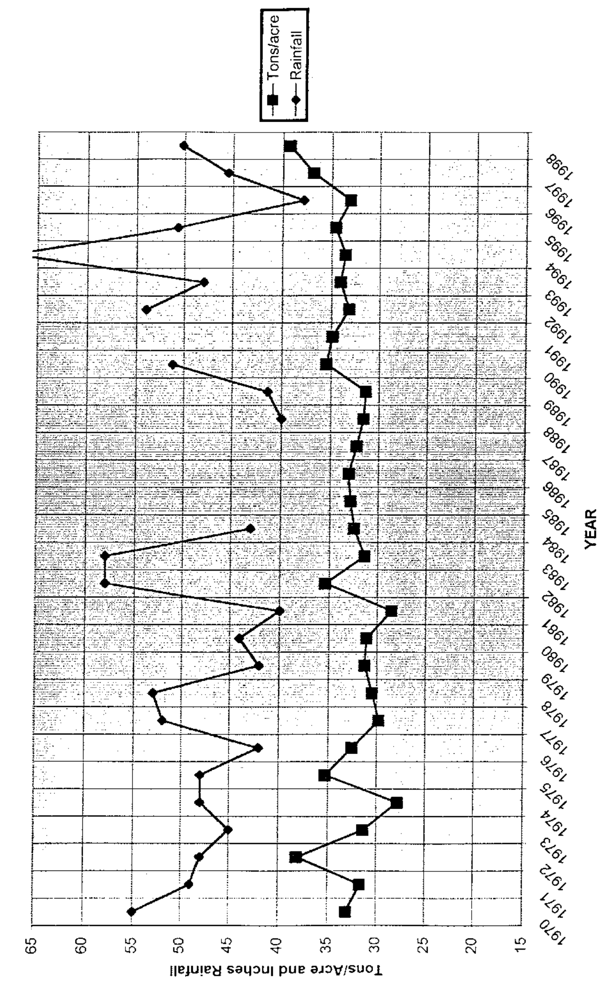




Operating the System for
FLOOD PROTECTION


Everglades
Protection Area
& Surrounding Areas
Lake Kissimmee
Kissimmee River
SFWMD Boundary
SFWMD Boundary
Lake Okeechobee
Caloosahatchee River
C-139 Basin
C-139 Annex
Seminole
Everglades Agricultural Area
WCA 1
WCA 2A
WCA 3A
WCA 3B
Florida Panther Refuge
Big Cypress National Preserve
Lower East Coast Regional Water Supply Plan Service Areas
Shark R. Slough
Everglades National Park
Florida Bay
LEGEND
Lakes and Sloughs
Chapter 298 Districts and Lease No. 3420
Rotenberger and Holey Land Wildlife Management Areas
Stormwater Treatment Areas (STAs)
Everglades Protection Area
Legal Boundaries Defined by the Everglades Forever Act
Everglades National Park
Lower East Coast Regional Water Supply Plan Service Areas
Indian Reservation Boundary
Direction of Flow
0 10 20 30
Miles

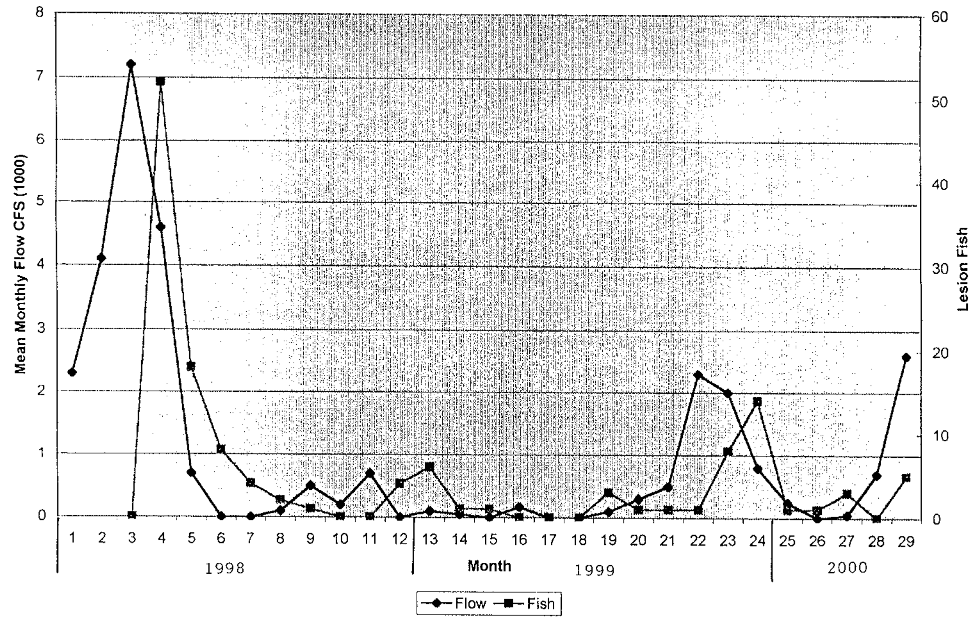
FLORIDA SUGARCANE YIELD TONS PER ACRE VERSUS RAINFALL IN EAA



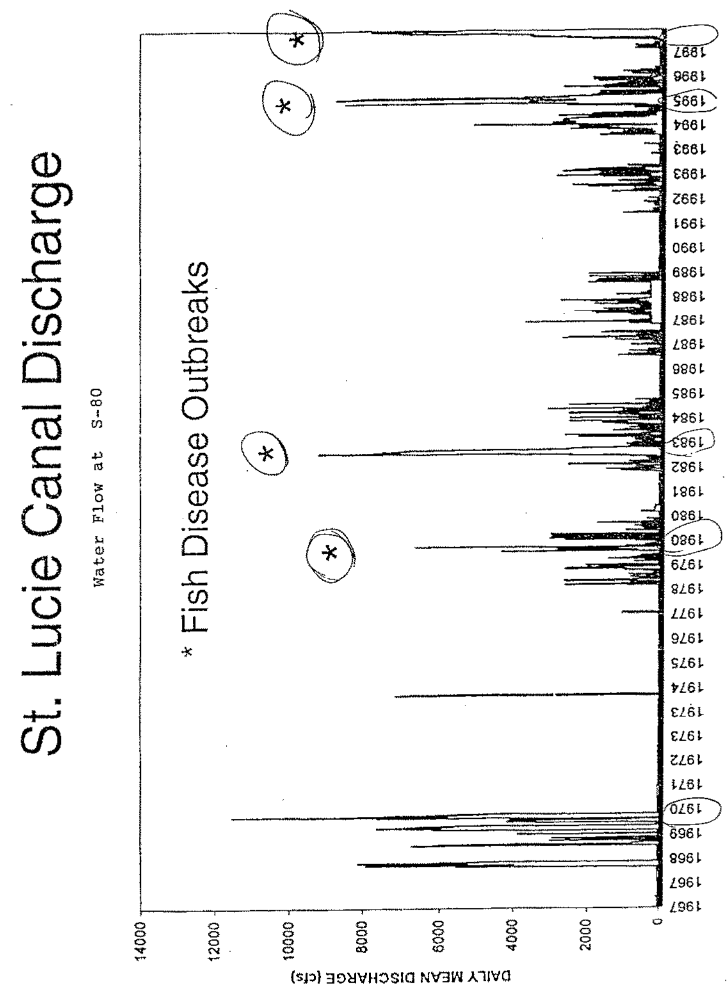
Source: USDA and SFWMD
(K. Henderson- 7-10-00)

St. Lucie Canal Discharge

Water Flow at S-80 and Fish with Lesions 1998-2000



Source: Florida Fish and Wildlife Conservation Commission
Florida Marine Research Institute
June 1, 2000 -(K. Henderson)

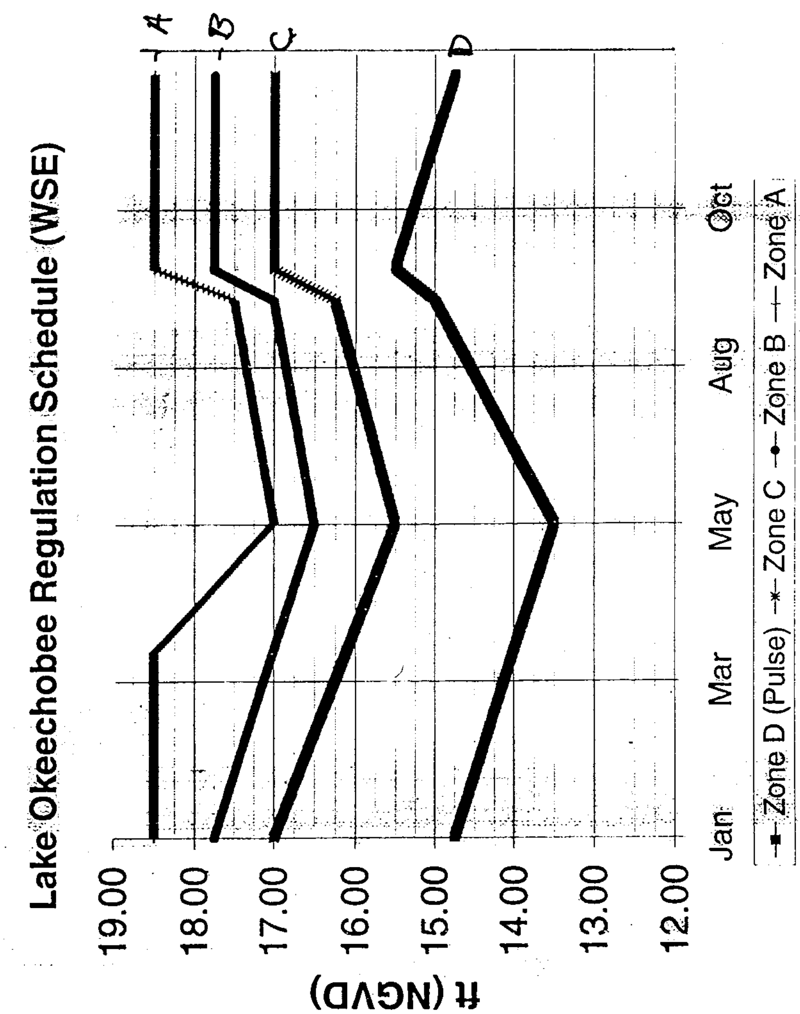


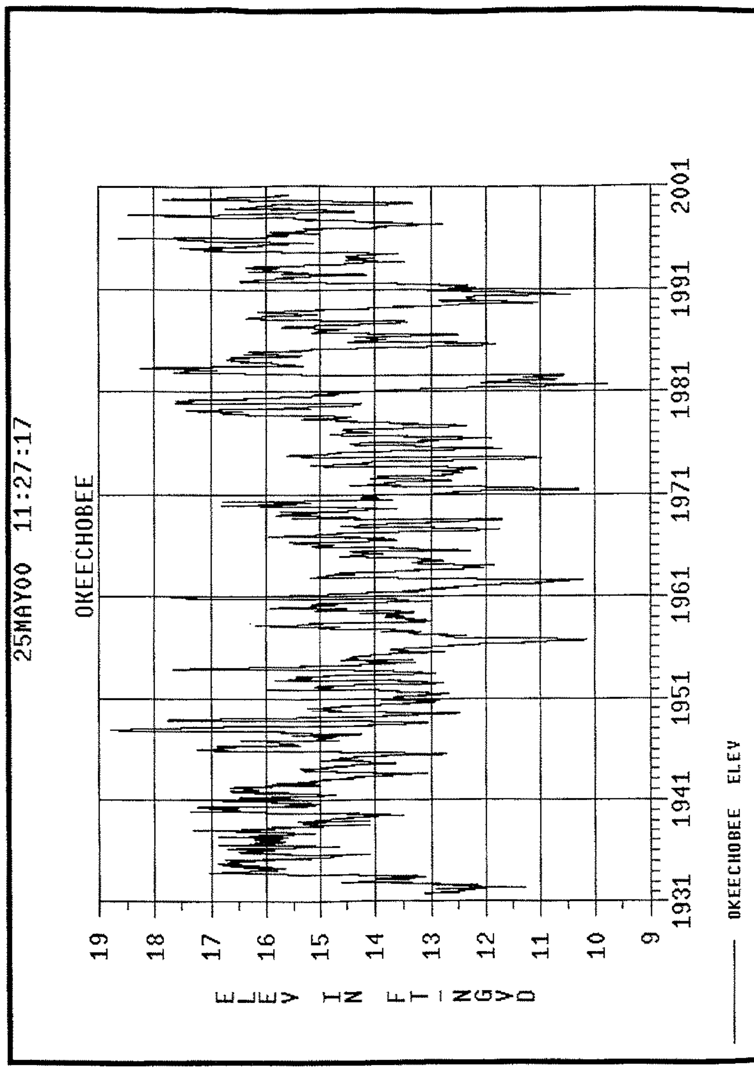
Source: Florida Department of Environmental Protection

FMRI- April 1998

Lake Okeechobee Releases
Run 25

Zone	Agricultural Canals	Caloosahatchee River at S-77	St. Lucie Estuary at S-80 including runoff from C-44 Basin
A	4000 cfs Maximum Practicable	9,300 cfs **Up to Maximum Capacity at S-77**	16,900 cfs **Up to Maximum Capacity at S-80** 18,7[illegible] cfs
B	Releases to Water	6500 CFS	3500 CFS
C	Conservation Areas	4500 CFS	2500 CFS
D Level 1 Level 2 Level 3		10-day pulse with a mean discharge of: Level 1 = 1600 cfs Level 2 = 2300 cfs Level 3 = 3000 cfs	10-day pulse with a mean discharge of: Level 1 = 730 cfs Level 2 = 900 cfs Level 3 = 1170 cfs


Lake Okeechobee Regulation Schedule (WSE)
ft (NGVD)
19.00
18.00
17.00
16.00
15.00
14.00
13.00
12.00
Jan
Mar
May
Aug
Oct
A
B
C
D
Zone D (Pulse)
Zone C
Zone B
Zone A



Lk Oke record from 1931 to 1999, Max. 18.77 ft 2 Nov 1947, Min. 9.79ft 30 Jul 1981. Second highest stage, 18.71ft occurred 27 Oct 1995- All data are provisional - recorded in FT-NGVD. USACE

62D CONGRESS, 1st Session | SENATE | DOCUMENT No. 89

EVERGLADES OF FLORIDA

ACTS, REPORTS, AND OTHER PAPERS, STATE AND NATIONAL, RELATING TO THE EVERGLADES OF THE STATE OF FLORIDA AND THEIR RECLAMATION

WASHINGTON
GOVERNMENT PRINTING OFFICE
1911

Proposals to drain the Florida Everglades date back to the Spanish Occupation. After Spain ceded Florida to the United States, efforts intensified to introduce sugar cultivation into southern Florida with it's large expanse of rich fertile mucklands surrounding Lake Okeechobee.

Today's massive population requirements and the resulting urban development impacts across South Florida, a secondary and equally devastating consequence of the drainage programs, were not perceived by early developers as contributors to the environmental disaster which followed.

As Florida's water wars intensify it becomes increasingly important that it's citizenry understand the genesis of the draining of the Florida Everglades.

This is the documentary record of those efforts at both the State and National level to ditch, dike and reclaim the Everglades for agricultural production which ultimately resulted in the legacy of destruction of ecosystems across the southern region of Florida and it's adjacent seacoast.

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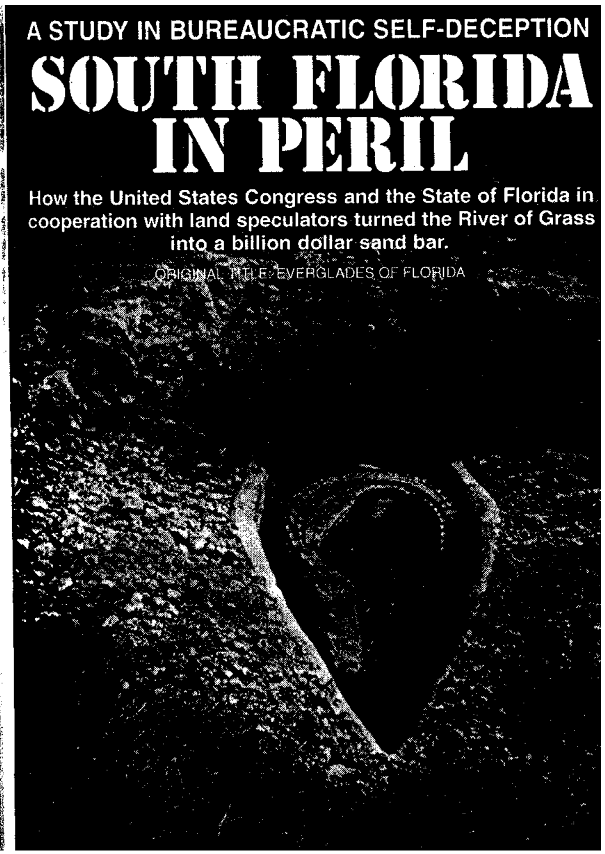
PORT SALERNO, FLORIDA

SOUTH FLORIDA IN PERIL FLORIDA CLASSICS LIBRARY



FROM : SNOOK NOOK FAX 407 334 7466 PHONE NO. : 407 334 7466 Jul. 20 2000 01:26PM P1

CITIZEN'S COALITION FOR CLEAN RIVER ACTION
c/o Snook Nook
Jensen Beach, Florida

WE, THE UNDERSIGNED RESIDENTS AND VISITORS TO THE ST. LUCIE RIVER AND INDIAN RIVER LAGOON BASINS HEREBY PETITION OUR COUNTY, STATE AND FEDERAL GOVERNMENTS FOR REDRESS OF EGREGIOUS HARM

Our ***fish*** are ***dying*** from terrible diseases. The ***seagrass*** and ***oysters*** are ***dead*** or ***dying***. Our ***St. Lucie River*** and ***Indian River Lagoon*** are being ***destroyed*** by huge volumes of freshwater discharged from drainage canals. Our entire ***estuarine ecosystem*** is ***collapsing*** under the weight of these freshwater discharges.

The present ***disaster*** is not a single isolated tragedy, but is one more instance of ***regular*** and ***repeated environmental destruction*** wrought periodically over the past six decades. These are part of the same drainage works that are also destroying the Everglades and Florida Bay. This ***pattern of destruction*** must be stopped.

WE DEMAND

1. An ***honest*** explanation in ***plain*** language of the epidemic of fish ***diseases*** in our estuaries;

2. A ***clear answer*** as to what each of ***you*** is doing about these fish diseases;

3. A ***list*** of and ***schedule*** for your ***specific*** actions to clean up our River and Lagoon.

PLATITUDES, GENERALITIES, AND TAP DANCING ARE NOT ACCEPTABLE. IT IS TRUTH OR CONSEQUENCES TIME.

Date	Signed	Address

29,400 COUNTED
4 WEEKS

MAY 1998

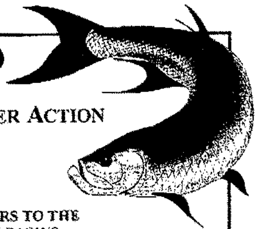
FROM : SNOOK NOOK FAX 407 334 7466 PHONE NO. : 407 334 7466 Jul. 20 2000 01:27PM P2

Petition Number Two

"STOP THE DESTRUCTION"

CITIZEN'S COALITION FOR CLEAN RIVER ACTION

c/o Snook Nook
Jensen Beach, Florida



WE, THE UNDERSIGNED RESIDENTS AND VISITORS TO THE ST. LUCIE RIVER AND INDIAN RIVER LAGOON BASINS HEREBY PETITION OUR COUNTY, STATE AND FEDERAL GOVERNMENTS TO STOP THE DESTRUCTION OF THE ST. LUCIE ESTUARY, THE INDIAN RIVER LAGOON AND NEARBY REEFS

Our ***fish*** are ***dying*** from terrible diseases. The ***seagrass*** and ***oysters*** are ***dead*** or ***dying***. Our ***St. Lucie River*** and ***Indian River Lagoon*** are being ***destroyed*** by huge volumes of freshwater discharged from drainage canals. Our entire ***estuarine ecosystem*** is ***collapsing*** under the weight of these freshwater discharges.

The present ***disaster*** is not a single isolated tragedy, but is one more instance of ***regular*** and ***repeated environmental destruction*** wrought periodically over the past six decades. These are part of the same drainage works that are also destroying the Everglades and Florida Bay. This ***pattern of destruction*** must be stopped.

WE DEMAND

1. An ***honest*** explanation in ***plain*** language of the epidemic of fish ***diseases*** in our estuaries;

2. A ***clear answer*** as to ***what each of you*** is doing about the destruction of our estuaries;

3. A ***list*** of and ***schedule*** for your ***specific*** actions to clean up our River and Lagoon.

TAP DANCING IS NOT ACCEPTABLE. THIS IS THE SECOND TIME WE HAVE ASKED FOR YOUR ANSWERS AND HELP. IT IS TRUTH OR CONSEQUENCES TIME.

WE DEMAND ACTION

Date	Signed	

8000 ON FORMS TURNED IN

MAY 2000

PETITION TO SUPPORT UNITED STATES SUGAR POLICY

Honorable Chairman Richard Lugar and members of the Senate Agriculture Committee, we humbly request that the Committee continue its support of the United States Sugar Policy. We are the workers of the 3 remaining sugar plantations in Hawaii and are members of the International Longshore and Warehouse Union Local 142, AFL-CIO.

The recent report published by the General Accounting Office (GAO) suggests that American consumers are suffering as a result of the U. S. sugar policy in the amount of $2 billion annually. If this is true, why do we not see lower sugar prices in the grocery store for sugar or sugar containing products? The price our sugar companies in Hawaii are receiving are 30% lower than in 1999, yet we see no changes in the retail market to reflect this price drop. We believe the large sugar using companies are the only beneficiaries of this huge price decline yet they continue to lament that sugar prices are too high and we should reform or eliminate the U. S. sugar policy.

Why are so many in the Congress willing to allow the large sugar using companies to prosper at the expense of us, the sugar workers in the U. S.? This is just not right and it is not fair.

We cannot compete against foreign governments who prop up their respective industries with direct subsidies and dump their surpluses on the world market and have our GAO say this is the world market price of sugar. It is not, and we workers know it is a dump price. What makes us even more furious is that most of this sugar is grown in countries with little regard for their workers or for the environment, unlike the requirements of the United States.

It really is amazing that despite the rhetoric of the opponents of the sugar program, you never hear the household consumer's complaining about the price they pay for a 5 lb. bag of sugar. However, if we look at the recent spike in oil prices and the subsequent increase in gasoline prices we see a huge emotional backlash by the community. This as we all know is caused by the U. S. government having very little control over the price of this very important commodity.

We would see a similar parallel situation occurring if we ship our sugar industry offshore. Price spikes like we saw in 1974-75 and 1980 will occur and the household consumer's will start complaining like they did in those years. Raw material price changes are passed through to consumers when they rise, but not when they fall.

Does history have to repeat itself before the Congress appreciates what value the farm community and its workers contribute to this country? Will our jobs have to be sacrificed to satisfy the greed of the sugar users? We certainly hope not.

Many of the 3000 workers at the former sugar plantations are still out of work. More than 7 sugar companies have closed down in the last 9 years due to depressed sugar prices. Communities where sugar once thrived are now desolate places of despair. We, the remaining workers of the Hawaii sugar industry, implore you to maintain a viable sugar industry so that we may continue to support our families and remain in the communities we have helped to build. Please continue to support U. S. workers through a sound policy of supporting domestic sugar farmers. Thank you.

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Name	SS#	Mailing Address	Signature
AUREL DOMINGO	575-68-9536	PO BOX 482 LAWAI HI 96765	Aurel Domingo
TARRANCE YARIS	576-92-4309	P.O. BOX 84 MAKAWELI	Tarrance Yaris
Christina Kelekoma	576-54-3010	P.O. Box 1042 Kalaheo	Christina Kelekoma
Noel P Borg	576-46-4928	P.O. Box 8 Kaumakani	Noel P Borg
Criscato Pascua	567-45-8883	P.O. Box 25 Kaumakani	[illegible]
Jonathan Kaneakua	575-56-8769	Box 5 Kaumakani	J Kaneakua
E Alan Kennett	575-98-5442	Box 156 Kaumakani	E Alan Kennett
MERLIN DIHILIG		Box 472 HANAPEPE	Merlin Dihilig
PAULINE CACHERO	575-38-7664	P.O. Box 123 Kaumakani	Pauline Cachero
ESPERDIO P L. BUTAC	575-84-6890	Box 247 KAUMAKANI	[illegible]
MELCHOR T LASTIMOSA	575-04-4527	Box 681 Koloa	Melchor T Lastimosa
Clyde A Rypor	575-06-9249	Box 91 MAKAWELI	Clyde A Rypor
Nelson Inouye	575-80-8254	Box 531 Koloa	Nelson Inouye
Johnny Kanahele	575-80-6289	Box 359 Kaumakani	Johnny K Kanahele
Eugene A Mendes	576-46-1518	Box 3 Kaumakani	Eugene A Mendes
OSCAR SAGUCIO	575-64-6544	Box 388 KAUMAKANI	Oscar [illegible]

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Name	SS#	Mailing Address	Signature
William Rita	576-96-7221	Po Box 223 Kalaheo	William Rita
PERRY AGUINALDO	575-68-9944	P.O. Box 42 Kaumakani	Perry Aguinaldo
Neal Amadi	575-56-5876	P.O. Box 416 Kaumakani	Neal Amadi
Robert Segundo	576-40-7609	P.O. Box 112 Kaumakani	Robert Segundo
DENNIS MABINI	575-62-2748	Box 355 Hanapepe	Dennis Mabini
LESTER LUTAO	576-72-8224	Box 267 Kaumakani	Lester Lutao
Wilbur Parubrub	576-88-2116	Box 165 Kaumakani	Wilbur Parubrub
MARVIN YASAY	576-84-1786	BOX 116 KAUMAKANI	Marvin Yasay
David Flores	575-78-2573	Box 372 Kaumakani	David Flores
Charles J. Carvero	576-38-4201	Box 678 Lawai Hi	Charles J. Carvero
JACK KAOHELAULII	575-68-9587	Box 273 Makaweli Hi	Jack Kaohelaulii
JOHN JACINTO	576 62 1510	Box 690064 Makaweli Hi	John Jacinto
David Kelekoma	575-48-0012	Box 1042 Kekaha Hi	David Kelekoma
ROGER AGUDA		BOX 162 Kaumakani	Roger C-Aguda
MARK KENNETT	575-98-3399	box 105 Kaumakani	[illegible]
CESAR FERNANDEZ	576-45-9618	Box 63 "	Cesar Fernandez
Steven Weinstein	109505264	Hanapepe	[illegible]

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Name	SS#	Mailing Address	Signature
CASTRO DELOS REYES	575-51-3777	P.O. BOX 1125 KEKAHA	Castro delos Reyes
Gordon Jacinto	575-446775	P.O. Box 44 Kaumakani	Gordon Jacinto
JOHN A. MEDEIROS	575 79 9687	P.O. BOX 1204 KALAHEO	[illegible]
HARRY HOMMA	576-38-9596	P.O. Box 336 KAUMAKANI	Harry Homma
Allen Shimizu	575-50 3561	P.O. Box 374 Hanapepe	[illegible]
James Delos Reyes	575-86-0945	BOX 174 KAUMAKANI	[illegible]
Ross W. DeCosta	575-64-6809	P.O. BOX 142 Makaweli Kauai	Ross W. DeCosta
G Tebo Booth	554-74-1604	P.O. Bx 681 Eleele, Kauai 96705	G. Tebo Booth
Timmy Lopez		P.O Box 190 Kaumakani	Timmy Lopez
Danny Patricio		P.O. Box 302 Kekaha	[illegible]
PETER BUCHHOLZ		P.O. BOX 232 MAKAWELI	[illegible]
Roy Raposo	575-21-7548	P.O. Box 690147 Makaweli	Roy Raposo
AVELINO GUIRAO	575 15 0237	PO Box 285 Hanapepe	[illegible]
Miles Nakamoto	575-56-4709	Box 1012 Kilauea, HI	[illegible]
Arnold Ragragola	576-84-8569	P.O Box 1081 Kekaha 96752	Arnold Ragragola
ANTONIO BAGAOISAN	575-78-9535	P.O. Box 417 Kaumakani 96747	[illegible]

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Name	SS#	Mailing Address	Signature
Rogelio Bocalbos	575-70-0495	P.O.Box 157 Kaumakani Hi.	Rogelio Bocalbos
Nelson Freitas	576-40-7743	P.O.Box 1064 Kalaheo	Nelson Freitas
Matthew Shimizu	576-98-8458	P.O. Box 374 Hanapepe	[illegible]
JAMES BENIAMINA	575-86-7560	P.O.BOX-50905 ELEELE	James Beniamina
Shawn Yadao	575-94-5660	P.O.BOX 394 Waimea	Shawn Yadao
B. Constantino			B. Constantino
Joseph Kamahele	575-78-6899	P.O.BOX 690083 MAKAWELI	Joseph Kamahele
ALBERT RAGAS		PO BOX 355 KAUMAKANI	Albert Ragas
Dolen DelaCruz	576-90-2409	P.O.Box 609 Makaweli	[illegible]
ROGELIO DELACRUZ	576-84-3177	P.O.BOX 428 KEKAHA	Rogelio Dela Cruz
MARIANITO LAGOC	575-78-7810	BOX 342 KAUMAKANI	Marianito Lagoc
Evelyn Baniaga		P.O.B Kaumakani	Evelyn Baniaga
James K Hensley		P.O Box Kaumakani	James K Hensley
EDUARDO CABERTO		P.O. Box 488 KAUMAKANI	Eduardo Caberto
ROGERLAND DELACRUZ	575-43-3327	BOX 125 KAUMAKANI	Rogerland dela Cruz
ROGELIO VILLANUEVA	576-65-5809	BOX 131 KAUMAKANI	Rogelio Villanueva

PETITION TO SUPPORT UNITED STATES SUGAR POLICY

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Name	SS#	Mailing Address	Signature
Romex Villanueva	576-80-6816	P.O. Box 690220 Makaweli	[illegible]
MARVIN JARDIN	575-	P.O BOX 818, HANAPEPE	[illegible]
RENATO LUNA	575-57-2231	P.O BOX 298 KAUMAKANI	[illegible]
ARTHUR MEDINA	575-21-7376	P.O BOX 275 KAUMAKANI	Arthur Medina
Don Brodkin	577-50-8944	P.O Box 690340 MAKAWELI	Don Brodkin
Archie Fontanilla	575-38-0460	PO Box 392 Kaumakani	[illegible]
Marcellino DeFelice	575-38-830	P.O. Box 56 Kaumakani	Marcellino DeFelice
Stephen Aguinaldo	575-62-4185	BOX 758 Eleele	Stephen Aguinaldo
ROGER SOLIVA	576-45-6287	Box 262 Kaumakani	R. Soliva
GEORGE PARDO	575-56-4887	P.O. BOX 132 Eleele	[illegible]
Solomon F. Reyes	575-38-0461	P.O. Box 232 Kalaheo	[illegible]
Clyde Kojiri	575-58-5793	P.O. Box 137 Hanapepe	Clyde Kojiri
Benjamin Callejo	576-70-2222	P.O. Box 655 Hanapepe	Benjamin Callejo
Rolando Soliva	576-45-3235	P.O. Box 224 Kaumakani	R. Soliva
Russell Murakawa	575-56-5489	Kalaheo	[illegible]
Manuel G. Silva	576-72-8429	P.O. Box 733 Eleele Hi, 96705	[illegible]

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Name	SS#	Mailing Address	Signature
SANOE BANIAGA	576-45-5630	P.O Box 8 Kaumakani	Sanoe Baniaga
Wilson Gudoy	576-19-3764	P.O. Box 244 Kaumakani	Wilson Gudoy
Martin Hanaday	575-30-0029	P.O. Box 102 Kaumakani HI 96747	Martin Hanaday
George A. Lumabao	575-11-6246	P.O BOX 228 Makaweli	George A. Lumabao
Rumolo Manzano	575-67-4929	PO BOX 33 Kaumakani	R Manzano
LIMUEL MEDINA	575-41-3780	P.O. Box 367 Kaumakani	Limuel Medina
Edgar Visitacion	575-33-9141	P.O. Box 450 Eleele HI.	[illegible]
NOEL MINIA	575-51-3158	P.O. BOX 280 KAUMAKANI	[illegible]
J. W. Hollway	575-80-4094	P.O. Box 121 Kaumakani	[illegible]
[illegible]	576-02-6903	Box 346 Kaumakani	[illegible]
Wayne Hashimoto	575-40-1227	Box 156 Kaumakani	Wayne K. Hashimoto
Edgar Gamosa	576-97-1490	Box 15 Kaumakani	[illegible]
Louis Matias	575-90-0262	P.O. Box 252 Makaweli	Louis Matias
Danilo Tutop	576-84-8907	Box 351 Kaumakani	[illegible]
Susan Somers	585-64-1414	Box 249 MAKAWELI	Susan Somers
Michael K. Zyne	575-92-5702	Box 155 Kaumakani	Michael K. Zyne

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Name	SS#	Mailing Address	Signature
JERRY LAGAZO SR	575-782501	P.O Box 295 Kaumakani	Jerry Lagazo Sr.
Juan Villalobos	585-46-7578	P.O. Box 50 - Makaweli	Juan Villalobos
Leilanie C. Valenciano	575-25-9681	PO Box 294 Kaumakani Hi 96747	[illegible]
ALAN CARREIRO Alan Carreiro	576-92-9663	P.O. BOX 186 KAUMAKANI HI. 96747	Alan Carreiro
REY GUIRAO	575-15-0738	P.O. Box 677 Kekaha, HI. 96752	[illegible]
MICHAEL J. VILLALBA	575-38-2191	P.O. Box 227 MAKAWELI HI. 96769	Michael Villalba
RICHARD CABEBTO	576-86-0664	Box 36 KAUMAKANI	Richard Cabebto
TEOFILO BALOALOA	575-63-6388	P.O.BOX 29 KAUMAKANI	T Baloaloa
ROGER FONTANILLA	575-689323	BOX 977 ~~KEKAHA~~	R Fontanilla
June Aniguetero	576-94-5416	P.O.Box 181 Kaumakani HI 96747	June Aniguetero
BEN G. SILVA	576-72-8440	P.O Box 27 KAUMAKANI	Ben Silva
JERSON ALOP	575-35-7022	P.O. BOX 337 KAUMAKANI	[illegible]
Reynaldo Andres	576-11-2981	4225 uHu PL Lihue	R Andres
GERMAN LAGURA	575-83-3280	P.O. BOX 218 KAUMAKANI	G Lagura
NOLIE COMA	575-59-8454	PO BOX 651 ELEELE	N Coma
ALFONSO Soguco		P.O. BOX 382 KAUMAKANI	Alfonso Soguco

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Name	SS#	Mailing Address	Signature
Andres Emayo	575-44-4089	P.O Box 923 Kekaha Hi 96752	Andres Emayo
Antonio M. Daligcon	575-80-4466	P.O. Box 802 Waimea Hi 96796	Antonio M. Daligcon
Patrick B. Tayamen	576-47-5147	P.O. Box 212 Eleele, Hi. 96705	PTayamen
Faustino R. Fernando	575-56-5834	P.O.Box 184 Kaumakani 96747	Faustino Fernando
CARLOS MEDINA	575-11-3889	P.O. Box 636 KEKAHA 96752	Carlos Medina
Estrella M. Fernando	575-64-6626	P.O. Box 184 Kaumakani 96747.	Estrella M. Fernando
JOSE BITONIO	575-76-5853	P.O Box 789, ELEELE 96705	Jose Bitonio
Feboncio Orftal	576-66-2465	P.O. Box 532 Waimea 96796	F. Orfal
Henry Parubrub	575-46-0440	P.O. Box 771 WAIMEA 96796	Henry Parubrub
Amante Durez	576-37-6587	P.O. Box 276 Kaumakani 96747	ADurez
AURORA RAPOSAS	576-76-0320	P.O.Box 363 KOLOA, HI 96756	Aurora Raposas
Eli Pablo	575-56-8986	PO Box 455 Eleele, HI 96705	[illegible]
Wesley Pagador	576-70-2349	P.O.Box 101 Koloa 96756	Wesley Pagador
Hanley Tapia	575-38-1780	P.O. Box 9 Kaumakani	Hanley Tapia
Leonard Kanahele	575-68-9975	P.O Box Makaweli 96769	Leonard Kanahele
Roy Yasay	576-84-1987	P.O.Box 407 Kaumakani	Roy Yasay

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Name	SS#	Mailing Address	Signature
ROBERT GARVIDA	575-35-3861	P.O. Box 357 Kaumakani	[illegible]
BENIGNO BAGLIG	576-35-9029	P.O. Box 101 Kaumakani	Benigno Baclig
JUSTO RIVERA	575-67-6720	P.O. Box 213 KAUMAKANI	Justo Rivera
BENJAMIN BUYAT	576-53-6938	Box 115 Kaumakani	[illegible]
Gregorio Dumlao		BOX 405 Kaumakani	Gregorio Dumlao
ROMEO JUAN	576-06-2606	Box 516 Eleele	Romeo Juan
JESSE JARON	575-98-9126	BOX 92 KAUMAKANI	[illegible]
Alvina Kanahele	575-96-7082	Box 247 Makaweli	alvina Kanahele
DERRECK AGAN	575-02-8197	Box 86 KAUMAKANI	Dereck Agan
Robert Moura	575-98-6828	Box 263 Eleele	Robert Moura
Bernard Kanahele		BOX MAKAWELI	Bernard Kanahele
JERRY CADIZ	560-85-5835	P.O. BOX 67 KAUMAKANI	Jerry C. Cadiz
APOLINARIO SAGUCIO	576-46-7542	Box 683 ELEELE	Apolinario Sagucio
Calvin Kauwaka	576-66-4800	Box 223 Kekaha	Calvin Kauwaka
JOHN BENIAMINA	576-84-1524	Box 179 Makaweli	John Beniamina
Mark Raposo	575-21-8475	Box 197 Makaweli	Mark Raposo

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Name	SS#	Mailing Address	Signature
EDMUND MEDINA	575-27-6515	P.O BOX 703 HANAPEPE	Edmund Medina
DENNIS BUDUAN	576-56-2231	BOX 494 HANAPEPE	Dennis Buduan
FREDERICK VIQUEA	575-34-5381	P.O. BOX 27 WAIMEA	Frederick Viquea
RUDY G. VIGILIA	575-64-4644	BOX 1257 KALAHEO	Rudy G. Vigilia
BENIGNO GUILLERMO	575-51-7400	BOX 146 KAUMAKANI	B. Guillermo
Alejo Ramolete	575-55-5514	BOX 291 "	A. Ramolete
DONATO BALUALUA	576-61-9182	BOX 128 "	D. Balualua
MARCELINA LUTAO	575-61-9553	P.O BOX 834	M Lutao
MANUEL Lopez Jr	576-36-0670	P.O. BOX 614 KOLOA	M Lopez Jr
Leonore Alicante	576-55-5358	P.O. Box 206	Leonore Alicante
Emilia Galicia	576-60-1906	P.O Box 98	Emilia Galicia
VENIDA CONSTANTINO	576-86-2249	PO BOX 201	Venida Constantino
Cedric DeFabian	575-02-7842	PO Box 210 Hanapepe	Cedric DeFabian
CRESCENCIO LAGAZO	576-96-1109	Box 345 KAUMAKANI	Crescencio Lagazo
NESTOR PARINAS	335-3751	BOX 415 KAUMAKANI	Nestor Parinas
Ray Caberto	576-06-6963 ~~335-5870~~	Box 28 Kaumakani	Ray Caberto

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Name	SS#	Mailing Address	Signature
HOWARD LINOZ	575627795	P.O. BOX 144 KAUMAKANI	Howard Linoz
ROSDADO CUMLAT	576-65-8800	P.O. Box 248 Kaumakani	[illegible]
Regenaldo Arcede	575-56-4776	P.O. Box 1097 Kekaha	R Arcede
~~GODFREDO~~ GODOFREDO SINGSON	575-67-7428	P.O Box 187 KAUMAKANI	G Singson
Noel Laborte	576-11-8625	P.O Box 611 Eleele	[illegible] Noel
ELPIDIO VALMOJA	575-73-1686	PO BOX 152 KAUMAKANI	[illegible]
CONRADO RONQUILLO	638-30-1930	PO BX135 "	[illegible]
ARTHUR LAGOC		P.O. Bx 297	Arthur L. Lagoc
ROLANDO BELTRAN	576-63-4391	PO Box 172	[illegible]
ELMER GUBATON	575-02-7961	P.O. BOX 403 KAUMAKANI	Elmer Gubaton
PETERSON VELACRUZ	576-86-9110	P.O. Box 11 Kaumakani	Peterson [illegible]
GENEROSO GALICINAO	576-31-9804	P O BOX 529 Eleele	G Galicinao
ARNOLD CORPUZ	575-77-2136	BOX 635 KAUMAKANI	Arnold Corpuz
GOMER BADANGUIO	575-56-7352	Box 401 Kaumakani	Gomer Badanguio
WAYNE MAEDA	575-56-5875	Box 183 Kaumakani	Wayne H. Maeda
RENNY ORTAL	576-60-0690	Box 891 Eleele	R Ortal

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Name	SS#	Mailing Address	Signature
James Bennett	536-56-8975	P.O. Box 127 Kaumakani	James M. Bennett
Douglas Ariguctero	576-66-4243	P.O Box 181 Kaumakani	Douglas Ariguctero
Kelvin Keamoai	575-78-3157	P.O Box 296 Kaumakani	Kelvin Keamoai
Matias Mariano Jr	576-72-8501	P.O Box 124 Eleele	[illegible]
Chad Pimental	576-31-6722	P.O. Box 695 Eleele	[illegible]
Rizal P. Antonio		P.O. Box 152 Makaweli	Rizal Antonio
Kazu Taniguchi	576-40-3053	P.O Box 411 Waimea	[illegible]
Charles Lopez	576.90.8539	Po Box 265 Kalaheo	Charles Lopez
Patrick Aguilera	576-21-3518	P.O. Box 690102 Makaweli	Patrick Aguilera
Florens K Castillo	576-96-1741	PO Box 690138 Makaweli	Florens K Castillo
Galenapa Kaohelaulii	575-40-9144	P. Box 101 Makaweli	Galenapa Kaohelaulii
Paul Simeao	576-46-1366	PO Box 1296 Kalaheo	[illegible]
Domingo Aquinaldo	576-36-9178	P.O. Box 38 Kaumakani	[illegible]
David K. Niau	575-64-6955	P.O Box 65 Makaweli	David K. Niau
Robert G Ritch	223-78-5534	P.O. Box 158 Kaumakani	Robert G. Ritch
Maximina M Carreiro	576-34-6511	P.O. Box 374 "	Maximina M. Carreiro

PETITION TO SUPPORT UNITED STATES SUGAR POLICY

Honorable Chairman Richard Lugar and members of the Senate Agriculture Committee, we humbly request that the Committee continue its support of the United States Sugar Policy. We are the workers of the 3 remaining sugar plantations in Hawaii and who are members of the International Longshore and Warehouse Union Local 142 AFL-CIO.

Name	SS#	Mailing Address	Signature
Shane K Castillo	576.86.2348	P.O. Box 178 Kekaha HI 96752	Shane K Castillo
Patricio Agoto Jr	575-564584	P.O Box 485 Hanapepe	Patricio Agoto
Jerry Alvarado	575-40-2510	P.O. Box 177 Makaweli	Jerry Alvarado
Joe Batista	575-64-6281	P.O Box 203 Kaumakani	Joe Batista
Nicholas Taniguchi	576-952205	P.O Box 944 Waimea	Nicholas Taniguchi
Armando Sagucio	575-82-4783	P.O. Box 382 Kaumakani	Armando Sagucio
Leonar Sonny Galiza		Po. Box 521 Eleele	L S galiza
Anancia Parinas	576-72-8411	P.O Box 1075 Waimea	Anancia P. Parinas
Danny Kawakele		Po Box 239	Danny Kawakele
Christopher Largo	576449359	PO Box 184 Makaweli	Christopher Largo
Patricia Y. Dela Cruz		POB 385 Eleele	Patricia Y Dela Cruz
Filomena Gabriel		P.O. B 161 Kaumakani	Filomena Gabriel
Clem Lum	575-441071	Box 160 Kaumakani	Clem Lum
Tammy Kawamura	576-72-8421	Box 50907 Eleele, HI	Tammy Kawamura
Elizabeth Dunford ~~Elizabeth Dunford~~	576-56-0691	P.O. Box 690360 Makaweli	Elizabeth Dunford
Neil Jahara		Box 837 Eleele HI	N Jahara

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Name	SS#	Mailing Address	Signature
Unit Chem Ernest Domingo		P.O. Box 755 Kek Hi	[signature]
Donial Betsui		P.O. Box 215 Lawai 96765	[signature]
Joseph Borja		P.O. Box 942 Kekaha 96752	[signature]
Ludevico Pigao		P.O. Box 226 Hanapepe 96716	[signature]
George Inouye		P.O. Box 883 Kekaha	[signature]
Odetta Borja		P.O Box 942 Kekaha	[signature]
Dolly Basa		P.O. Box 1241 Kekaha	[signature]
Rudy Alao		P.O Box 676 Kekaha	[signature]
Florendo Oligo		P.O. Box 949 Kekaha	[signature]
Amos Arashiro		P.O. Box 96 Kekaha	[signature]
Henry Emura		P.O Box 533	[signature]
[illegible]		P O BX 623	[signature]
Raymond Agreda		PO Box 902 Kekaha	[signature]
Vincent Olores		P O Box 174 Kekaha	[signature]
Robert W. P. Leoiki		P.O. Box 74 Waimea	[signature]
Warren Kamiya		P.O. Box 524 Kekaha	[signature]

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Name	SS#	Mailing Address	Signature
Sadiri Mabini	576-80-8307	P.O. Box 780 Kekaha	Sadiri Mabini
BEN MANUEL.	575-64-6809	P.O. BOX 242 HANAPEPE	Ben Manuel
ALEX DULDULAO	575-86-0578	P.O.B. 864 Ele-ele	Alex Duldulao
FRANCISCO Duldulao	576-84-3962	Box 335 ELE ELE	F. Duldulao
BURT M RAPANOT	576-60-0573	PO BOX 939 KEKAHA	Burt M Rapanot
MICHAEL MANERA	576-15-5374	4465 LAUKINI RD LIHUE	[illegible]
GEORGE TANIGAWA	576-36-9919	P.O. BOX 105 KEKAHA	George Tanigawa
ANTHONY ACAIN,	575-78-2540	P.O. BOX 1135, KEKAHA.	Anthony Acain
JOSE ESTACIO	575-38-1047	P.O. Box 329, KEKAHA	Jose Estacio
Dennis Amulacion	576-54-2143	P.O. Box 444 Kekaha	Dennis Amulacion
Alan Tsunoda	575586159	PO Box 1064 Kekaha	Alan Tsunoda
CALVIN AMULACION	576-62-1830	P.O. Box 444 Kekaha	Calvin J. Amulacion
PATRICK W. RITA SR	576-62-4781	P.O. BOX 173 KEKAHA	Patrick W Rita Sr
Timoteo Ragragan	576-66 4259	P.O BOX 431 Kekaha	[illegible]
Edward C Rabel	576-62-1525	P.O. Box 471 Kekaha	Edward C Rabel
KEN HESAPELIE	575-68-9150	P.O. Box 67, KEKAHA, HI 96752	[illegible]

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Name	SS#	Mailing Address	Signature
Anthony Kaiaki	575-62-2706	P.O. Box 247 Kekaha	[illegible]
CRESENCIO GARCIA	576-66-2442	P.O. Box 165 Kekaha	Cresencio Garcia
Rey Sacro	576-72-7964	P.O Box 351 Kekaha	Ray Sacro
J. MAGAMA JR	619-56-0566	P.O. BOX 1182 KEKAHA	J MAGAMA
ALEXANDRE MAGNOLA	5766-7765	P.O BOX 1026 KEKAHA	A. Magno Jr.
MICHAEL R TAMBIO	576-84-8438	P.O. Box 943 WAIMEA	Michael R Tambio
TeofiLo J. MARINA	575-56-4651	P.O. Box 808	Teofilo Marina
MARINA F. MARINA	575-68-9618	P.O. Box 808	Marina Marina
BEN Simpliciano	576-66-4135	BOX 238	Ben Simpliciano
ARTE Simpliciano	576-84 0096	Box 997	Arte Simpliciano
Delfin C. Castillo	575-74 4901	240 KEKAHA Rd.	D.C.C.
MANNY Simpliciano	575-68-9595	Box 871 Kekaha	Manny Simpliciano
RUDY P SACRO	576-68-9830	Box 783 Kekaha	Rudy P Sacro
Rogelio Corpuz	575-43-3758	BOX 584	Rogelio Corpuz
Lloyd Silva	575 68 9311	P.O. B5 96782	Lloyd Silva
FRED CAVIENETERO	575-58-6889	Box 872 96752	[illegible]

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Name	SS#	Mailing Address	Signature
VERNON KAOHELAULII	575-23-0380	P.O BOX 265 Makaweli 96769	Vernon Kaohelaulii
Greg Kaumana	575-78-7179	P.O.Box 627 Kekaha 96752	Greg Kaumana
WALLY TAVARES	575-52-5767	P.O.Box 280 Kalaheo	Wally Tavares
Jeffrey Silva	575-21-9913	P.O. Box 735 Kekaha 96752	Jeffrey Silva
KEVIN NORDMEIER	576-41-2944	P.O.BOX 401 KEKAHA	Kevin Nordmeier
Manolito Sarmiento	575-33-0897	P.O box 233 Makaweli	M. Sarmiento
D. Sarmiento		P.O. Box 522 Kek	D. Sarmiento
Guy E. Ruiz	575-44-4961	P.O Box 156 Hi Kek	Guy E. Ruiz
Charles Mayoble		" 468 Hi Kek	Charles Mayoble
Michael Knight	576-82-5283	P.O Box 1340 Kalaheo	Michael Knight
Manuel Cacal	575-15-4782	P.O. 283 Kekaha	Manuel Cacal
Christopher Rasay	575-92-2184	P.O. 799 Kek	Christopher Rasay
VILLAMOR BALISACAN	576-60-0474	BOX 542 KEK	Villamor Balisacan
Pedro	Idica Jr.	KEKAHA BOX 724	Pedro Idica Jr.
JACINTO PASCUA		KEKAHA BOX 930	Jacinto Pascua
Sonny Banks		KEKAHA BOX 911	Sonny Banks

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Name	SS#	Mailing Address	Signature
ALBERTO BATTULAYAN	576-70-0798	P.O.Box 331 Kekaha	Alberto Battulayan
Carme Amuluang	575 461336	Box 831 "	Carme Amuluang
JUAN IDICA	575 567332	Box 672 "	Juan Idica
Wm A. Faraondo	575-40-1908	4696 Hoomana Rd.	WA Faraondo Sr.
Willy [illegible]	57-44-4124	Box 874 Kekaha	[illegible]
Jaime Wallace	575-58-2258	Box 819 Kekaha	Jaime Wallace
Ron Sakat	576-66-4198	Box 652 Hanapepe	Ron Sakat
Humphrey Hernandez	461703600	1566 Kaumualii	[illegible]
RONALD PACANTA	575564682	P.O. Box 1055 Kekaha 96752	[illegible]
Arlene S Illustre	575-04-3247	P.O. Box 3171 Lihue	Arlene S. Illustre
James K Yamamoto	576-66-2362	P.O. Box 685 Kekaha	James K Y[illegible]
Alberto Ragragola	575-56-4843	Box 756 Kek.	Alberto Ragragola
Raymond K. Peters Jr.	576-36-7572	P.O. Box 704 KEKAHA	Raymond K. Peters Jr
Sally Uyeno	576-60-8830	P.O. Box 45 Kekaha	[illegible]
Adriano R. Pascual	575-56-5836	P.O.Box 761 Kekaha	Adriano R. Pascual
Phyllis Salana		Kekaha Kauai	Phyllis Salana

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Name	Mailing Address	Signature
Robert Zoll	Wailuku	Robert Zoll
Rudy Labuguen	Kahului	[illegible]
ORLANDO BALALA Orlando Balala	WAILUKU	Orlando Balala
William Calilao	Kihei	William Calilao
Agusto Racca	31 MUNOZ ST. PUKALANI, HI	Agusto Racca
Anthony R Salinas	Kahului	Anthony R Salinas
Kelly Ruidas	Kahului	Kelly Ruidas
William B. Garcia	KIHEI	[illegible]
Raymond Yamada	Wai'luku	Raymond Yamada
JOHNDY S. DOMINGO	KIHEI	[illegible]
Rexie Magarin	Kahului	Rexie Magarin
CHARLES SAITO	KAHULUI	Charles Saito
Anthony P Martin	KAHULUI	
Wallace S. Feliciano	Kahului	Wallace Feliciano
Hale Leung-Wo	602 Pohakai St. Kah	

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Name	Mailing Address	Signature
Francisco Costo	PAIA	Francisco Corte
THADDEUS FERNANDEZ	MAKAWAO	Thaddeus Fernandez
Richard Barcai Jr.	Kah.	Richard Barcai Jr.
Evangelista Dionisio	Kah.	Dionisio Evangelista
JOSE L. BUMATAY Jr.	KIHEI	Jose Bumatay Jr.
EDDIE I. YAGIN	PUKALANI	Eddie Yagin
Edgardo Rimando	Kihei	[illegible] Rimando
D. STANCIL	PAIA	[illegible]
Ronald Guzman	WAI.	[illegible]
Gerard M Cambra	Makawao	Gerard M. Cambra
MIKE RAMES	Kah.	[illegible]
Andaya	Kah.	Zenaida Andaya
Rudy Borreta	PO BOX 652 96761	[illegible]
Abden Copaz	Kihei	Abden Copaz
FERNANDEZ AGONOY	Kahului	[illegible]

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Name	Mailing Address	Signature
Ernesto Sumabat	810 Olena St WAILUKU	[illegible]
Federico Quiteris Jr	Haliimaile	[illegible]
Michael Cyphers	KAH HI	[illegible]
Conrado Riguney	P.O. Box 405, Paia	[illegible]
ROGELIO M. DOMINGO	KAHULUI	[illegible]
JOHN H. REVILLA	KAHULUI	[illegible]
FREDDY YANOS	WAILUKU	[illegible]
Macrina Sumibcay	Kahului	[illegible]
Alma Roldan	Kahului	[illegible]
ROMEO Y. GUZMAN	118 MAKAALA DR.	[illegible]
Glen Cabatingan	Wailuku	[illegible]
DAVID Sugimoto	Puunene	[illegible]
DOMINGO SAGADRACA	WAILUKU	[illegible]
CIPRIANO MANGLICMOT		
FLORANTE MARINAS	KAH.	[illegible]

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Name	Mailing Address	Signature
Alan Cabos	Makawao	Alan Cabos
Fred Kuhia	Kihei	Fred Kuhia
Clyde Kral	Wailuku	Clyde Kral
Ralph Rodrigues	Kihei	[illegible]
Michael N. Mendoza	Lahaina	Michael N. Mendoza
Fernando Del Castillo	Kahului	Fernando Del Castillo
Jon Miguel	Kahului	[illegible]
Bengie Acio	Wailuku	[illegible]
Evaristo Pulido	Makawao	[illegible]
Robert J. Cormie	Makawao	Robert J. Cormie
Kerstan Cabral	Kahului	Kerstan Cabral
Danny Bulosan	Kahului	Danny Bulosan
Jose Ruiz	Kihei	[illegible]
Bart Chun	Kahului	[illegible]
Kelvin C. Peco		[illegible]

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Name	Mailing Address	Signature
Frank Entilla Jr.	15-E Hawaii St Kah	Frank Entilla Jr.
Rodney Medeiros	709 Huali way	Rodney Medeiros
Rogelio O. Agudo	746 ONEHEE AVE.	[illegible]
Emilio Cabingas	372 Kuʻualoha st	Emilio Cabingas
Manuel R. Esquera	1900 Makalii ST.	Manuel R. Esquera
Herminio Aquino	417 Mikohu Loop	Herminio Aquino
Evangeline Casco	562 So. Papa Rd.	Evangeline Casco
ANTONIO S. VILOMA	268 ANI ST. Kahului	Antonio S. Viloma
EDWARD T. COLOMA	12 KUUALOHA ST. KAHULUI	edward T. coloma
BENITO TIMBRERA	950 Eha Eha St Haliimaile Hi 96768	[illegible]
Simeon C. Valdez	325 Ohia St. Kah. Maui Hi 96732	
Orlino Moraz	984 Papa Ave	Kahului
Francisco Asuncion	KAH.	
Fernando Andres	Paia	
Gregorio Baoit	1015 ONAHA st.	[illegible]

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Name	Mailing Address	Signature
Crawford Taniceda	Makawao	Crawford Taniceda
Wesley Bise	Waiehu, Maui	Wesley Bise
Rogelio Acoba	Wailuku, Maui	[illegible]
Juan Nenvez Jr.	Kahului, Maui	Juan Nenvez Jr.
Arnold Trilles	Kihei	[illegible]
Deo Aveno	Lahaina	[illegible]
Frank Barbosa	Kihei	Frank Barbosa
Kaul Kealoha	Paia	Kaul Kealoha
Allan Corpuz	Kahului	Allan Corpuz
Joe Cook	Makawao	[illegible]
Fred C. Failano	Wailuku, HI 96793	[illegible]
Earl Fernandez	Kihei	Earl Fernandez
Polly Saltacruz	Wailuku	Polly [illegible]
Rudy Yagin	Kahului	
Florentino Rivera	Pukalani	Florentino D. Rivera

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Name	Mailing Address	Signature
Rafael Ram[illegible]		[illegible]
Damien Cordovel		[illegible]
BERNIC DANUELOS	KAHULUI, HI.	[illegible]
[illegible]	Makawao HI	[illegible]
Shane A. Phillips	Haiku HI. ☺	[illegible]
Victor Bantilan Jr	PAIA	[illegible]
Roberto R. Andrion Jr	Makawao HI	[illegible]
John Benjamin Jr	Makawao	John Benjamin Jr.
Rogelio G. Yadao	Haliimaile	Rogelio G. Yadao
Andres Guerrero	Makawao	Andres Guerrero
Anthony Martella	Maui	Anthony Martella
Domingo Pait	Kihei	Domingo Pait
Pedro Alonzo	Kahului	Pedro Alonzo
[illegible]	Kahului	[illegible]
Edward Cabo	Kahului	Edward Cabo

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Name	Mailing Address	Signature
TONY VILORIA	258 ANI ST. KAH.	[illegible]
Randall Moore	Kula, HI	Randall Moore
BOB [illegible]	Haiku Hi	[illegible]
Michael Ramos	Kah.	Michael Ramos
Shiho You [illegible]	PO Box 2652 Wailuku	[illegible]
RICHARD J. STASZAK	PO BOX 595 PAIA, HI 96779	[illegible]
[illegible]	HAIKU	[illegible]
[illegible]	P.O. BOX 266, PUUNENE	[illegible]
Lynette Nakashima	P.O. Box 266, Puunene HI 96784	Lynette Nakashima
Jozette Montalvo	R.R. 2 Box 82-D, Kula	Jozette O. Montalvo
Alice Ruchiradhamrong	P.O. Box 266, Puunene HI 96784	Alice Ruchiradhamrong
Donna Ventura	Kula, HI	Donna Ventura
Donna Kailieha	P.O. Box 914, Puunene, HI 96784	Donna Kailieha
THEODORE BEHRMANN JR.	[illegible]	Kula Maui HI
Kenneth Nakano	380 Hokulani St	Kenneth Nakano

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Name	Mailing Address	Signature
LEE TOCHO	P.O. BOX 814 MAKAWAO	[signature]
Greg Ursoyo	P.O. BOX 1551 Kah.	[signature]
RICK W. VOLNER JR	80 KUNIHI LN, #432, KAHULUI	[signature]
IVAR FUJIMORI	94 W. WAKEA KAHULUI	[signature]
MARK Lopes	2247 Kaupakalua Rd.	[signature]
Stephen DIAZ	113 Alii Iani Pl. Kihei	[signature]
Winston PASTERNA	789 MAKAALA Dr. Wailuku	[signature]
Anthony Hong	P.O.Box 2038 Kahului, HI 96733	[signature]

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Name	Mailing Address	Signature
Patrick Taguchi	920 Makani Rd	Patrick Taguchi
Dexter Sanot	208 Nie St.	Dexter B. Sanot
Paul Ramos	976 Alaea St. Makawao	Paul Ramos
Lloyd Taguchi	17 Olo Place	Lloyd Taguchi
Danny Pillos	645 Komo Place	Danny Pillos
Clyde H. Auakalea	701 Kaimana Place Kahului	Clyde H. Auakalea
Elmer M. Manuel	704 Pono Way Kahului	Elmer M. Manuel
Yanina Sayon	439 Kipuka Pl. Kah.	Yanina Sayon
Chris Redd	P.O. Box 1901 Makawao	Chris J. Redd
John A. Turner	P.O. Box 408 Puunene	John Turner
James N. Mock	RR 4 Box 33 Kula	[illegible]
Alan Yasunaga	52 Aiai St, Kahului	Alan Yasunaga
Bob Taylor	Paia	[illegible]
Harry Camara	Makawao, HI.	Harry Camara
[illegible]	PO Box 486 Puunene, HI	[illegible]

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Name	Mailing Address	Signature
Francis NAKAMOTO [illegible]	Wailuku, Maui	[illegible]
SHELDON R. BIGA	KAHULUI	Sheldon R. Biga
Boniface Kan-Hai	Kihei	[illegible]
P. ALCURA	PAIA	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	Kahului	J. Cisneros
Rod Natividad	Haiku Hi	Rod Natividad
Jeff Fernandez	Haliimaile	Jeffrey Fernandez
Ricardo F. Briones Ricardo F. Briones	Wailuku	Ricardo F. Briones
Florencia S. Ngayan	Haliimaile	
Orelita P. Gaspi	71 Aoloa Lp, Kahului	[illegible]
Alan Nuyan		
Erma Paet	Kahului	Erma Paet
Encarnacion Longboy	Kah.	EA Longboy

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Name	Mailing Address	Signature
Shawn Kan-Hai Shawn Kan-Hai	Haiku	Shawn Kan-Hai
Augustine Joaquin Jr	Kahului	[illegible]
Stanley Pacheco	Kahului	[illegible]
Richard D. Robinson	480 Kenolio Rd #22-205 Kihei HI. 96753	Richard D. Robinson
Wilfredo M. Vasquez	Paia, Hi - 96779	[illegible]
Antonio R. Bines	Kihei Hi 96753	Antonio R. Bines
Ronnie Henderson	835 Wailupe Dr	Ronnie Henderson
Douglas Kaleikini		Douglas Kaleikini
Douglas Correia	1810 W/Kuiaha	Douglas S Correia
[illegible] Pacheco	Pukalani, Hi	
Julius Garcia	759 Hoomana St. Wailuku	[illegible]
Martin Hill	P.O. Box 4019- Kahului	Martin Hill
Rachel Medeiros	P.O. Box 84 Puunene	Rachel Medeiros
Carolyn Pimentel	P.O. Box 1063, Puunene	Carolyn Pimentel
Stanley P[illegible]	P.O. Box 209 Puunene	[illegible]

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Name	Mailing Address	Signature
JOHN A. Corpuz	KAHULUI	John a. Corpuz
Felix R. Esguerra	Waikapu	Felix R. Esguerra
ALBERT R. BRACERAS	MAKAWAO	Albert R. Braceras
WAYNE GOMES	WAILUKU	Wayne Gomes
CLARITA EVANGELISTA	HAIKU	Clarita Evangelista
Macario Agonoy	Kul.	Macario Agonoy
KEN RIBAO	MAKAWAO, MAUI	Kenneth Ribao
Franklin Rock	Kahului	[illegible]
Robert Cadavona	Kahului	[illegible]
Pedro M. Tuguero Jr.	Wailuku	Pedro M. Tuguero Jr.
Todd T. Yoshioka	Pukalani	[illegible]
JOHNNYRIC M. DOMINGO	KIHEI	Johnnyric M. Domingo
Kenneth Kahookanoka	Kahului	Kenneth Kahookanoka
COLIN MIYAKE	KAHULUI	Colin Miyake
MODESTO JACINTO	KIHEI	[illegible]

PETITION TO SUPPORT UNITED STATES SUGAR POLICY

Honorable Chairman Richard Lugar and members of the Senate Agriculture Committee, we humbly request that the Committee continue its support of the United States Sugar Policy. We are the workers of the 3 remaining sugar plantations in Hawaii and who are members of the International Longshore and Warehouse Union (ILWU Local 142), AFL-CIO.

Name	Mailing Address	Signature
Anastacia O. Oviedo	Kahului	Anastacia O. Oviedo
Luis SAGARIO	KAHULUI	Luis S Sagario
Joey San Agustin	Kahului	[illegible]
TIMOTHY C. WALKER Timothy C. Walker	P.O. Box 1707, WAILUKU, HI 96793	Timothy C. Walker
Bon Ugal	1113 ONAHA ST. #E	[illegible]
Anthony V. Vitale	P.O. BOX 3059 KAHULUI	Anthony V. Vitale
[illegible]	Wailuku	Esther Bugtong
Leroy Pinheiro	P.O. BOX 1025 PUUNENE	Leroy Pinheiro
David Gouveia	P.O. Box 344 Puunene	[illegible]
Joseph Rodrigues	Wailuku	Joseph Rodrigues
Flor Castillo	Kahului	Flor Castillo
EMILIANO VILA	KAH	Emiliano Vila
Johnny Guzon	112 PAULOA PL. Kihei	[illegible]
Nelson Cordo	KIHEI	Nelson Cardo
Steve W Borge	Haiku Kahope 20	[illegible]

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Name	Mailing Address	Signature
Policarpo Bonete	1126-B-Hala Pl. Makawao	Policarpo Bonete
Alvin Sanchez	12 Haliimaile	Alvin Sanchez
Leonardo Ramos	Kahului	Leonardo Ramos
George Pastren	Kihei	George Pastren
Demetrio Sagario	Kahului	[illegible]
Edwin R Martin	Kahului	E R Martin
Fedarico Barit	Wailuku	Fedarico Barit
Dencio E. Oviedo	Kahului	Dencio E. Oviedo
Marcelino Alvarez	Kahului	Marcelino Alvarez
Jun Rabol	Kahului	Jun Rabol
Jose Castillo		[illegible]
Andy Januaria	Wailuku	Andy [illegible]
Erick Jon Rivera	Wailuku	Erick Jon Rivera
Kalani G. Puu	2858-A Koea pl.	Kalani G Puu
Michael Prais	Wailuku	Michael Prais

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Name	Mailing Address	Signature
Marina Bautista		
[illegible]		
Hilario Ruiz		
Candido Pastor		
Roberta Dumlao		
Simeon C. Domingo		
ELISEO Y. CONSTANTINO JR.		
Lydia Madrid		
ANDREW N. ABAD	KIHEI	Andrew Abad
Domingo Acob		
Veronica Cachola		
Leroy Guzman	Paia	Leroy
Enoka Noa	KAHULUI	[illegible]
Dennis Corder	MAKAWAO	Dennis
HAROld Nakooka	wailuku	Harold Nakooka

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Name	Mailing Address	Signature
Wilhelmina S. Borge	Kihei	
288 Manuel Martella		
[illegible]	Wailuku	
Mila V. Funtanilla	Kihei	
Filomena Cabazal	Kah.	
Porferia Calixterio	Kihei	
Benediato P. Ruiz		[illegible]
Juanito Mamuad	Kahului	
Ofelia Lagario	Kahului	
Martin Pake	WAILUKU	
Angelito M. Vasquez	PAIA	
Cipriano Cabo	Kahului	
Catalina Oreja	Kahului	
Remedios Yasana	Kahului	
Aurelia Cadiente	Kahului	

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Name	Mailing Address	Signature
Eufresino Esteban	938-[illegible] Pl. [illegible]	Eufresino Esteban
MACARIO PACUBAS	54? A MAALO St	[illegible]
Marcial Yasana	194 Hoomaha St	M Yasana
Rolando Mamuad	580 AKOLEA ST.	Rolando Mamuad
Isaac Yumacda	1351 Puunene Hi	Isaac Yumacda
AGUSTIN HABON	Pukalani HI	[illegible]
Juan Reynaldo	KAHULUI	
Johny Asuncion	WaiHEE	
Victorino Balmores	Kahului	
Simion Carbon		
Loreto Prado	Kahului	
Fermin Domingo	Kahului	
Jose M. Tawada	Wailuku	#6758
[illegible]	Kahului	
Dolores Pinking	Hali	